

State of Alaska FY2003 Governor's Operating Budget

Department of Natural Resources

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Department Mission

Develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest.

Department Goals and Strategies

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
 - Convey oil and gas rights by conducting four competitive oil and gas lease sales and issuing oil and gas exploration licenses and shallow gas leases.
 - Provide management and oversight for three new oil and gas units, four new participating areas, three unit or participating area expansion/contractions, and 43 plans of development.
 - Sustain Alaska's mineral industry investments by completing geophysical/geological mineral inventory survey of 1,000 square miles of Alaska lands and publish the associated maps.
 - Identify new areas capable of hosting major oil and gas discoveries.
 - Increase Alaska's market share of world exploration dollars and increase mining employment, by continued encouragement and providing services that facilitate development of the mining industry.
 - Transfer title for the Denali Block from BLM to the State to allow for mining activity.
 - Complete the Northern Southeast Area plan that identifies approximately a million acres for timber and other resources development as well as for recreational, habitat and settlement purposes.
 - Facilitate special interagency project reviews through an interagency project team process for such projects as: Pogo Mine, Green's Creek, True North, and Red Dog expansions.
 - Process new mining claims within three weeks of filing; and efficiently administer the existing 50,000 claims; efficiently process 10 new mining leases and 1,000 new mineral prospecting sites.
 - Process over 600 permit applications for commercial and guided recreation use on state park lands.
 - Seek a concession contract operator for adaptive re-use of the historic buildings at Independence Mine State Historic Park as a year around visitor destination.
 - Convey up to 12,000 acres of land to qualifying municipalities, and prepare the process to convey another 60,000 acres in FY04.
 - Generate state revenues and local economic development by offering up to 45.9 million board feet of timber with emphasis on value added products.
 - Increase revenues generated from Alaska Mental Health Trust Lands over time in a manner consistent with trust management principles.
 - Provide an expanded agriculture base by preparing 14 land disposal parcels with 4,200 acres, and continue management of 17 grazing leases opportunities on grassland areas.
 - Process 500 land use permit applications, including commercial guides permits, access to mining claims and logging areas, cross-country travel, placer mining permits, exploration permits, trapping cabin permits, and tideland permits.
 - Process approximately 150 applications for material sales, shore fishery leases, upland and tideland leases, lease renewals, rights-of-way, and interagency land management assignments.
 - Respond to all Native allotment and ANCSA conveyance decisions by the federal government to reserve access to state land.
 - Create employment opportunities in rural Alaska by conducting enhanced geological surveys of Alaska's historical placer mining districts incorporating remote sensing technologies to identify new prospective areas.
 - Process the typical new water right applications within 60 days, the typical new temporary water use authorization within 20 days. Process roughly one-fifth of the priority water right backlog.
 - Utilize local construction contractors to complete 12 park construction projects valued at \$14 million.
 - Continue contracting for private operation of 12 state park facilities and for large concession contracts at three additional sites.
 - Continue to diligently audit oil and gas royalty payers.

- Complete 20 trail projects associated through federally funded National Recreation Trail Grant program.
2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.
- Oversee the construction of three new, and operation of ten existing common carrier petroleum pipelines on the North Slope, and report on the oversight.
 - Collect data and information for land status, hydrology, and geological hazards along the most probable route of a gas pipeline.
 - Protect popular trails of regional significance by securing trail easements from willing private property owners and dedicating those trails on land status plats.
 - Develop draft ground-motion site-response maps and a draft seismic soil-class map for Anchorage for use with building codes to design more earthquake-resistant buildings.
 - Coordinate state oversight of TAPS with the U.S. Bureau of Land Management, to ensure safe, efficient transportation of North Slope oil to market so that TAPS remains available to bring North Slope crude to market.
 - Supervise the safety inspection of approximately 15 dams and test emergency action plans for three high-risk dams.
 - Evaluate areas subject to major hazards like floods, earthquakes, volcanic eruptions, and landslides to help predict likelihood and severity of future major events.
 - Conduct 1,400 produce inspections, including local field inspections, military and commercial; seed certification, and issue certificates for export products.
 - Maintain inventory of historic and archaeological sites for use by developers, land managers and planners.
 - Implement recommendations from the Spruce Bark Beetle Strategy Task Force with other landowners on the Kenai.
 - Coordinate, through the Natural Resource Conservation and Development Board, programs to obtain federal funding for agriculture related conservation and erosion control in Alaska.
 - Complete the master plan revisions for Wood-Tikchik State Park, the Alaska Chilkat Bald Eagle Preserve, and add Chena River State Recreation Area.
 - Provide overall logistical coordination and management for a major expansion of the Alaska Volcano Observatory volcano eruption monitoring capabilities that will improve safety in Alaska's air routes.
 - Support regular meetings of 14 park advisory boards.
3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.
- Operate 121 state park units and maintain park access for 4.0 million visits.
 - Manage 500-600 wildfires of varying sizes.
 - Reforest all state land harvested for timber.
 - Provide management oversight to 2.6 million acres of legislatively designated public use, recreation areas, trails, and 15 special use areas; and provide co-management oversight of 5.4 million acres of legislatively designated game refuges, critical habitat areas, sanctuaries, and wildlife ranges.
 - Offer 2,500 subdivision parcels of land for sale to Alaskans by lottery and maintain the unsold parcels for sale over-the counter; maintain the existing 2,500 parcel inventory of subdivision parcels for sale to Alaskans; and offer 250 parcels for sale under the remote recreational cabin program ("the stake-it-yourself program").
 - Cooperate with local, state and federal agencies, private and public organizations and individuals to develop and deliver nationally approved, effective, and relevant boating safety education programs, with a focus on children and high-risk boaters.
 - In cooperation with the Alaska State Snowmobile Association, develop and implement a statewide snowmobile & avalanche safety education program.
 - Provide 10 snowmobile trail grants and five safety and education grants to local snowmobile clubs and agencies.
4. Streamline natural resource leasing, sales, and permitting processes.
- Identify information, requirements and time frames necessary for a right-of-way and permits for a gasline from the North Slope to market.
 - Streamline and improve the Recorder's Office operations to better meet the workload and user demand by incorporating current technology, such as the imaging of documents.
 - Consolidate related business operations so that customers can complete all the needed transactions in one place; for example, allow new mining claim rental payments at the Recorder's Office.

- Deploy an enterprise Geographic Information System (GIS) based on DNR land records – re-invent the State Status Plat to work as an interactive digital product using relational database. Advance the goal of Enterprise GIS across state agencies.
- Provide DNR staff and the public with a more integrated view of land information by linking the business transactions with the mapping systems on a desktop as much as possible.
- Maintain the state's land database through the notation of 20,000 state resource transactions affecting 6,000 townships; reduce notation cycle time. Make the information available to the public over the Internet.
- Continue efforts to utilize on-line application, notice and receipt of comment for state land sales, land offerings, and permit applications.
- Provide rapid responses to requests for technical assistance or information on engineering geology issues and geologic hazards in Alaska associated with land leases, sales, or permitting processes.
- Move Uniform Commercial Code Filings to a fully electronic and paperless operation; implement new UCC national standards.
- Absorb the three court recording offices into DNR operations and eliminate the dual administration of recording functions in those offices.
- Reduce the cost of interagency reviews by using on-line document access and electronic processing of comments, for example, Annual Placer Mining Applications.

Key Department Issues for FY2002 – 2003

- Making workforce development a priority, to deal with on-going difficulties in recruiting and retention of qualified staff.
- Completion of classification studies of DNR job classes and acquire funding for pay changes.
- Lost and deferred revenues from delayed issuance of oil and gas leases. Delays of up to eight months in issuing oil and gas leases, resulting in equivalent delays in receiving bonus and rental payments -- nearly \$9 million in FY 01.
- Implementation of the Shallow Gas and Exploration Licensing Oil & Gas programs.
- Continue to work with affected owners of property overlying state oil and gas leases proposed for exploration and/or development.
- Transfer of title for the Denali Block from BLM to the State.
- The rate of transferring state lands to municipalities under Municipal Entitlement Program
- Pre-planning for a Natural Gas Pipeline application.
- Parks have \$42 million in deferred maintenance backlog.
- Park operations sufficient to provide safe, clean, and well-maintained facilities for 4.0 million visits.
- Implement HB185: develop a water rights fee system that reflects the reasonable direct cost of processing applications; and ensure that the water rights adjudication system can process typical new water rights within 60 days, and typical temporary water use authorizations within 20 days.
- Strengthen our Water rights administration through changes to legislation, updating of the regulations, information systems, and adjusting staffing to workload.
- Implement the land disposal targets of SB 283, passed in 2000.
- Upgrading of our main database systems such as the Land Administration System and the Land Status Geographic Information System.
- Applying modern information technology to expand, organize, preserve, and disseminate the geologic resource knowledge base of Alaska.
- Expansion of customer service by accepting mining rental payments in the recording office, eliminating an extra stop for the miners.
- Bringing the remaining three court recording offices under DNR administration.
- Limitation of forest management options due to weak markets, especially in bark beetle areas.
- Review of Region II (south-central Alaska) forest practices standards for riparian management.
- Administration and recordation of RS2477 rights-of-way.
- Protect public access to key recreational trails and recreation areas of state and regional significance.
- Implementation of boating and snowmobile/avalanche safety programs to reduce outdoor recreation related fatalities.
- The renewal of the right-of-way lease for TAPS, for a large number of facilities ancillary to TAPS, and for five common carrier pipelines on the North Slope due to expire in less than three years.
- Pending are assignments for the Alpine Oil Pipeline Right-of-Way Lease and Milne Point pipeline right-of-

way leases. Also pending are guaranties for the Milne Point pipelines, Northstar pipelines, Badami pipelines, and Endicott Pipeline.

- Working with the Lessees on the as-builts for Badami, Alpine and Northstar as required in the AS 38.35 pipeline right-of-way leases.
- Settlement of the School Trust Lands valuation issue to determine the appropriate amount to be deposited into the School Trust Fund annually.
- Erosion of the Agricultural Revolving Loan Fund through funding of non-ARLF functions in the state budget.
- Management, review, and termination of Sec. 17(b) of ANCSA easements to Alaska Native corporations.
- Initiation of the construction at the Plant Material Center of Seed Lab and Post Entry Plant Quarantine Facility funded through USDA.
- Plan for, possibly negotiate and implement a North Slope royalty in-kind natural gas sale in response to proposals for North Slope gas pipelines.
- Begin environmental review, begin trail design, and identify the preferred route for the Upper Copper River Trail.
- Sustaining the Park volunteer/campground host program in light of a national downturn in available campground hosts.

Major Department Accomplishments in 2001

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
 - Collected and accounted for \$1.1 billion in O&G royalty, settlement, rental, federal share and bonus revenues.
 - Leased 1.8 million acres in five oil and gas lease sales.
 - Issued the first exploration license, totaling 318,756 acres. Issued the first four shallow natural gas leases totaling 23,040 acres.
 - Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
 - Exploratory drilling from the newly installed Osprey Platform in Cook Inlet resulted in estimated recoverable reserves of up to 50 million bbls.
 - Permitting of 1,465 square miles of 3D seismic lines shot on the North Slope, about 3½ times the amount shot the previous year.
 - First oil from the Alpine Field in December 2000.
 - Six right-of-way leases for pipelines have been executed in the last two years, reducing the number of pending applications and increasing the number of pipeline operations that the department oversees to 18.
 - Offered approximately 3,000 acres of land to individuals in 294 parcels of which 210 parcels were sold.
 - Disposed of 6,445 acres of ARLF agricultural property for \$2.25 million; disposed of 5,080 acres of agricultural interest land for \$1.38 million.
 - Transferred 16,677 acres of land to 10 municipalities under municipal entitlement laws.
 - Local contractors completed \$4.1 million in construction at 16 Parks recreation facilities.
 - Generated \$365.0 from sale of forest products, offered ~ 35.7 million board feet of timber, sold 65 timber sales, administered 156 active sales, issued 458 personal use wood permits, and replanted 1,671 acres.
 - Increased revenues generated from Alaska Mental Health Trust Lands from \$3.7 million to \$7.2 million.
 - Acquired and made available to the public geophysical maps and data for 1,032 square miles of prospective mineral terrains in southwest Alaska.
 - Prudhoe Bay West End development permitted, and two new drill sites and related pipelines constructed.
 - Completed 800 square miles of geologic mapping in prospective mineral and oil and gas terrains.
2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.
 - Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
 - Continued legal and permitting activities leading to commencement of drilling and production from the Northstar field. Drilling commenced at the Northstar production island in the Beaufort Sea.
 - Twenty-five winter exploration well approvals issued.
 - Permitted the Meltwater North field development.
 - Conducted a statewide "Firewise" conference to reduce fire dangers around private residences.
3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.

- Collected \$2.3 million in park user fees and provided recreational opportunities for 4.0 million park visits.
 - Completed the first recreational trail easement acquisition for a trail of regional significance with the University of Alaska at Clam Gulch for snowmobile trail access to the Caribou Hills.
 - Working with the Alaska Marine Safety Education Association, developed Alaska's first nationally approved boating safety education training course.
 - Provided 13 Snowmobile and 33 National Recreation Trail grants to local clubs and government agencies.
 - 700 Park volunteers contributed almost 100,000 hours of service.
 - Provided grants to 12 communities for tree planting, conservation education, and program development.
 - Trained 13 tree stewards in Fairbanks to provide volunteer tree care to community trees.
 - Awarded \$131,282 in grants to six ANCSA corporations for forest stewardship plans on 30,022 acres, and completed 37 forest stewardship plans for individual landowners on 2,399 acres.
 - Managed and responded to a total of 299 wildland fire occurrences on 134 million acres.
 - Through collaboration with NASA guided the acquisition of high-resolution digital elevation data for the proposed natural gas pipeline corridor between Fairbanks and the Yukon, Canada border.
 - Utilized the Tazlina Type 1, and Matsu and Kenai EFF Crews for hazard tree removal, firebreak improvement, and other hazard fuel work reducing the potential of a serious wildland fire on the Hillside are in the Municipality of Anchorage and on the Kenai Peninsula.
 - Issued the first four shallow natural gas leases, totaling 23,040 acres.
 - Collaborated with the U. S. Geological Survey and the University of Alaska to expand the Alaska Volcano eruption-monitoring network from 20 to 21 volcanoes with the addition of Great Sitkin Volcano near Adak.
4. Streamline natural resource leasing, sales, and permitting processes.
- The Recorder's Office initiated a digital document imaging and bar-code system; replaced their microfiche document system; and provided public access via the Internet to statewide recording and Uniform Commercial Code index.
 - Eliminated the Mining Claim backlog through computerized processing business changes and new information systems.
 - Reinstated platting of State Prospecting Permits using automation.
 - Combined Federal land plats and surveys with state platting and survey system; ~ 100,000 plats available on-line, eliminating the need for aperture card distribution and filings.
 - Made all Division of Geological and Geophysical Surveys geologic maps and reports available on-line, eliminating the need to order printed copies or to be on site to use the documents.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Commissioner's Office - The revenue generated by the development and sale of natural resources.
Sec 108(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 \$1.1 billion was received in total revenues.

Benchmark Comparisons:

There is no specific benchmark as we try to maximize the revenues to the state given the price of the commodity.

Background and Strategies:

The department's mission is to develop, conserve, and enhance natural resources for present and future Alaskans. This means that we try to meet the demand of the resource development in a responsible way and optimize our return in today's market but also by keeping an eye out for the future.

Measure:

Recorder's Office - The percentage of maintained daily entry and weekly verification of the on-line grantor/grantee and location indexing process for all documents accepted in the recorder's offices.
Sec 108(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Current status: During FY01 the mission and measures for the Recorder's Office were changed by the legislature to reflect the fact that it is unrealistic to achieve full input and verification functions in all offices on the same day that documents are recorded due to the number of remote office locations. Because the new measure (shown above) differs substantially from the indexing measure utilized in the prior three quarters of FY01, the following percentages are provided based only on fourth quarter compliance with the revised indexing measure.

During the fourth quarter of FY01 **the objective of daily input was performed** as follows against a target of 100%:

UCC Central 97%; Fairbanks 95%; Ketchikan 92%; Bethel 92%; Sitka 98%; Anchorage 27%; Palmer 86%; Kenai 97%; and Homer 97%;

Meeting the target were: Juneau 100%; Nome 100%; and Kodiak 100%.

During the fourth quarter of FY01 **the objective of weekly verification completion** was performed as follows against a target of 100%:

Bethel 98%; Nome 97%; and Anchorage 98%;

Meeting the target were: UCC Central 100%; Fairbanks 100%; Juneau 100%; Ketchikan 100%; Sitka 100%; Palmer 100%; Kenai 100%; Homer 100%; and Kodiak 100%.

Benchmark Comparisons:

Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology.

Background and Strategies:

In order to provide the greatest service to the public, indexing of the public record information needs to be fully complete at the end of each business day. Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology. Our new indexing system implemented in 1999 allows indexing information to be made available to the public upon input (our prior system did not contain this feature). The Anchorage office has had the most difficulty meeting the daily input standard due to near record high recording volumes.

A new indexing system implemented in 1999 enabled the component to resolve the massive indexing backlogs that had accrued under the prior system while still processing incoming work at peak levels. Throughout FY00 and FY01, significant improvement occurred in meeting this performance objective. Factors preventing 100 percent compliance in all locations included near record recording volumes, staff shortages, late day recordings, lengthy legal descriptions, communication line problems, heavy customer traffic, and late mail deliveries. While the component has no control over the volume of incoming work, it will continue to strive for improvements in this area.

Measure:

The annual volume of state timber offered for in-state companies and converted to value-added products.
Sec 110(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:Target:

32.5 MMBF offered for in-state companies and converted value-added products.

Progress:

From FY97 through FY01, DNR sold over 240 timber sales to more than 120 different in-state purchasers to be processed wholly or partially in-state. These sales totaled over 80 MMBF of timber (see table).

Area	Number of state timber sales to Alaskan businesses					Total FY97-01	# Different Purchasers
	FY 97	FY 98	FY 99	FY 00	FY 01		
Southern SE	17	25	14	13	6	75	36
Northern SE	1	7	1	5	13	27	15
Kenai-Kodiak	0	0	1	4	0	5	4
MatSu/SW	4	2	1	4	6	17	10
Fairbanks	21	10	10	19	21	81	46
Delta	7	7	4	10	8	36	14
Tok	0	0	1	4	2	7	6
Statewide Total	50	51	32	59	56	248	128

Note: Some purchasers bought timber from more than one area, therefore the statewide total for the number of different purchasers is less than the sum of the areas.

Benchmark Comparisons:

There is no standard for this measure.

Background and Strategies:

The DNR timber sale program focuses on supporting Alaskan jobs by making timber available for local processors. Competitive and negotiated sales are offered in sizes and locations needed by local processors throughout the state. In Southern Southeast Alaska, all offerings were sold. In most other areas, more timber was offered than was sold. Unsold timber remains available over-the-counter or is re-offered.

Some state timber is exported. Salvaged wood in spruce bark beetle areas will mostly go to export chip markets. A portion of the timber in Southern Southeast value-added sales is pulp or utility wood with no local market. The pulp and utility wood may be exported, while the higher-grade wood is processed in-state.

Measure:

The percentage of fires in full and critical protection categories that are held to less than 10 acres.
Sec 110(b)(7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Target:

Contain 90% of fires in full and critical protection categories at 10 acres or less.

Progress:

First quarter FY02 on track. In fire season 2001, 271 of 277 fires (99%) of fires in full and critical protection were kept to 10 acres or less. In fire season 2000, 236 of 241 fires (98%) reached the target.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The Division of Forestry responds to an average of 423 wildland fires annually in its protection area with the exact number and location being unknowns. The most cost-effective response requires adequate preparedness and

coordination with the Division's numerous cooperators. The occurrence of wildland/urban interface fires will continue to increase as the population moves to the wooded areas of the state, climatic changes result in longer fire seasons, and serious insect/disease infestations add to the hazardous fuels problem.

Strategies include providing immediate, aggressive initial attack in coordination with cooperating local government, structure fire departments and federal agencies. This strategy includes creating and maintaining cooperative agreements to enhance initial attack response effectiveness. Additional strategies include media coverage of fires to expand public awareness of the impact of human caused fires, support of fire prevention activities, and increased public education on how to create survivable space around private property.

Measure:

Oil & Gas - The number of resident and nonresident private sector jobs in the oil and gas industry in the state.
Sec 111(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the State Department of Labor, the statistics on employment in Alaska for oil and gas extraction have increased. Below are annual averages since 1998:

2001 (Jan-Aug)	11,200
2000	10,300
1999	9,400
1998	9,300

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

These figures are available at this site:

http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm

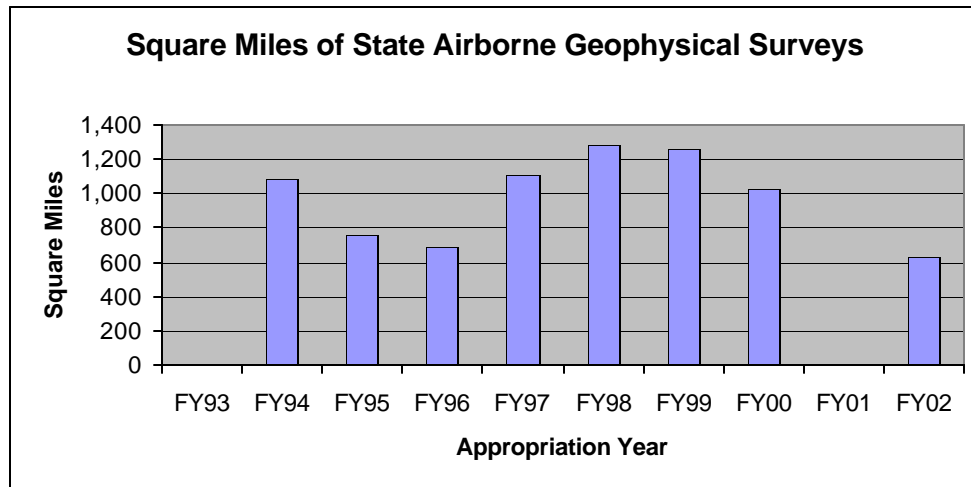
Measure:

Geological Development - The number of completed geophysical/geological mineral surveys of at least 1000 square miles of Alaska land.
Sec 113(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The 1000 square mile is a challenging target given the staff size and funding available to DGGs. In FY2001, DGGs completed 1240 square miles of federally sponsored airborne geophysical surveys and 808 square miles of geological ground-truth mapping.

Because of an approximately 40 percent increase in the cost of airborne geophysical contracts, DGGs will be able to secure only 630 square miles of new airborne geophysical data on state land in 2002. DGGs is on track to release 1000 square miles of combined mineral and energy ground-truth geologic mapping in 2002.

**Benchmark Comparisons:**

There is no benchmark for this measure.

Background and Strategies:

DGGS intends to maintain this performance measure unchanged for FY2003. We are pursuing complementary federal funding and cooperative agreements with federal agencies in an attempt to acquire resources needed to increase the square miles of geologic ground-truth mapping in geophysical survey tracts that can be completed in a fiscal year. The magnitude of the square miles of airborne geophysical surveys that can be completed in one year is a function of CIP appropriations. A tract of 1000 square miles is in good balance with historic funding, public expectations, and a level of commitment that is effective in catalyzing investment in Alaska's mineral industry. Costs of conducting both airborne geophysical surveys and ground-truth geologic surveys have escalated sharply in the last 18 months, in large part because of increased helicopter contract costs. In FY01 the airborne geophysical CIP appropriation was below the threshold needed to conduct a cost efficient survey. Thus no predominantly state-owned mineral tract was surveyed in FY01. DGGS was able to secure a commitment of federal funds to geophysically survey about 1240 square miles of a mixed ownership (federal - Native Corporation - state) land in southwest Alaska. Because of the ownership pattern of that land, however, we do not believe that this airborne geophysical data will have the same impact on exploration investment, as would a survey over predominantly state lands where access is more open and right of tenure is more certain.

Measure:

Parks Management - The level of deferred maintenance in state parks.
Sec 114(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

To steadily reduce the identified \$42 million in deferred maintenance and ADA upgrades in the park system.

Inventory of Deferred Maintenance in state parks:

1998 - \$35 million in deferred maintenance identified in division facility summary
2001 - \$42 million in deferred maintenance identified in division facility summary

Funding to address this Deferred Maintenance:

1996 - No funds for maintenance
1997 - \$150.0 in CIP for emergency repairs
1998 - \$200.0 in CIP for emergency repairs
1999 - \$200.0 in CIP for emergency repairs
2000 - \$200.0 in CIP for emergency repairs
2001 - \$286.0 in CIP for emergency repairs
2001 - \$168.0 in CIP for Park upgrades

2002 - \$286.0 in CIP for emergency repairs

At the current rate of funding our inventory of deferred maintenance will continue to grow.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Parks has been unable to address this growing backlog due to lack of CIP funds. For the years 1996 to 2002, Parks averaged only \$212.0 annually in the capital budget for deferred maintenance and then only for those repairs tied to health and human safety. Some facilities that are along a highway corridor can be upgraded with Federal Highway - TEA 21 funds so long as we fit the TEA 21 criteria. Campgrounds CANNOT be built or upgraded with TEA 21 funds. Parks has been successful in addressing some of its needs through this channel and will continue to do so. Facilities that involve powerboat and angler access can be fixed with our partnership with ADF&G for federal sportfish access funds for boat launch ramps.

Funds from TEA 21 and ADF&G, however, do not cover the majority of our deferred maintenance needs. Parks needs significant funds dedicated to this problem. The use of federal Land & water Conservation fund moneys can only be used for facility development if the state provides a 50% match. In addition to LWCF, Parks could address these problems through funds raised by bonds.

Department Budget Summary by BRU

All dollars in thousands

	General Funds	FY2001 Federal Funds	Actuals Other Funds	Total Funds	General Funds	FY2002 Federal Funds	Authorized Other Funds	Total Funds	General Funds	FY2003 Federal Funds	Governor Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
Management and Administration	2,035.7	0.0	1,961.4	3,997.1	2,058.1	150.4	2,575.5	4,784.0	2,107.1	151.0	2,168.8	4,426.9
Information/Data	4,568.8	58.4	753.1	5,380.3	2,198.7	30.6	3,322.0	5,551.3	2,232.6	230.9	3,934.5	6,398.0
a Management Resource Development	999.7	0.0	1,496.1	2,495.8	294.3	0.0	1,733.2	2,027.5	294.3	0.0	1,733.2	2,027.5
Forestry Management and Develop	6,971.0	867.3	2,227.0	10,065.3	7,020.1	1,161.9	753.7	8,935.7	7,133.2	1,175.4	1,047.4	9,356.0
Oil and Gas Development	4,003.1	27.1	3,655.2	7,685.4	4,235.0	180.5	4,861.8	9,277.3	4,886.7	182.2	7,148.9	12,217.8
Minerals, Land, and Water Dev.	9,761.4	1,858.4	3,448.8	15,068.6	9,447.0	2,294.0	4,684.6	16,425.6	9,887.1	2,326.9	5,090.2	17,304.2
Parks & Recreation Mgmt	5,687.0	122.0	3,535.8	9,344.8	5,750.1	399.9	2,912.9	9,062.9	6,599.6	403.8	3,084.8	10,088.2
Agricultural Development	9.1	1,146.5	1,378.1	2,533.7	16.0	1,676.9	1,670.2	3,363.1	26.0	2,055.9	1,728.4	3,810.3
Agr Revolving Loan Pgm Admin	0.0	0.0	565.0	565.0	0.0	0.0	707.9	707.9	0.0	0.0	743.9	743.9
Statehood Defense	99.4	0.0	0.0	99.4	115.0	0.0	0.0	115.0	415.0	0.0	0.0	415.0
Facilities Maintenance	1,349.8	0.0	192.7	1,542.5	1,372.2	0.0	1,103.2	2,475.4	1,372.2	0.0	1,204.8	2,577.0
Statewide Fire Suppression	14,259.6	10,072.1	18.5	24,350.2	3,195.9	7,321.0	0.0	10,516.9	3,229.6	7,321.8	0.0	10,551.4
Language Section Appropriations	449.9	0.0	15.3	465.2	0.0	0.0	325.4	325.4	0.0	0.0	0.0	0.0
Totals	50,194.5	14,151.8	19,247.0	83,593.3	35,702.4	13,215.2	24,650.4	73,568.0	38,183.4	13,847.9	27,884.9	79,916.2

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	14,151.8	13,215.2	13,847.9
1003 General Fund Match	408.3	415.2	422.1
1004 General Fund Receipts	42,847.8	30,718.3	32,869.1
1005 General Fund/Program Receipts	6,938.4	4,568.9	4,892.2
1007 Inter-Agency Receipts	5,857.8	4,694.5	5,052.6
1018 Exxon Valdez Oil Spill Settlement	811.5	1,596.4	1,075.3
1021 Agricultural Loan Fund	1,576.9	1,846.9	1,906.5
1053 Investment Loss Trust Fund	303.5		
1055 Inter-agency/Oil & Hazardous Waste	29.5	95.8	97.3
1061 Capital Improvement Project Receipts	3,318.6	2,843.2	5,260.7
1066 Public School Fund	15.3	325.4	
1092 Mental Health Trust Authority Authorized Receipts	762.1	983.2	983.2
1105 Alaska Permanent Fund Corporation Receipts	1,065.5	2,129.0	2,153.3
1108 Statutory Designated Program Receipts	3,549.4	4,652.0	4,427.3
1114 Exxon Valdez Oil Spill Restoration Fund	47.9		
1153 State Land Disposal Income Fund	1,909.0	2,601.0	3,022.4
1154 Shore Fisheries Development Lease Program			308.0
1155 Timber Sale Receipts		280.0	330.7
1156 Receipt Supported Services		2,603.0	3,267.6
Totals	83,593.3	73,568.0	79,916.2

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	579	656
Permanent Part Time	237	235
Non Permanent	93	101
Totals	909	992

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Land Use Data Base System Upgrade for Improved Access	390,000	0	0	390,000
Land and Water Conservation Grants for State Parks Upgrades	500,000	500,000	0	1,000,000
State Park Emergency Repairs	250,000	0	0	250,000
Seismic Data Acquisition and Interpretation to Promote Oil Exploration and Leasing	155,000	0	0	155,000
Oil and Gas Electronic Signature for Lease Assignments and Payments	150,000	0	0	150,000
Oil and Gas Leasing and Unit Database and Mapping Upgrade	410,000	0	0	410,000
Fire Truck Replacements	400,000	0	0	400,000
Snowmachine Trail Development and Program Grants	200,000	0	0	200,000
Airborne Geological and Geophysical Mineral Inventory	500,000	0	0	500,000
Alaska Boating Safety	200,000	600,000	0	800,000
Kenai River Boat Wake Erosion Study	200,000	0	0	200,000
Fire Suppression Retardant Equipment Upgrades	250,000	0	0	250,000
Oil & Gas Document Imaging	200,000	0	0	200,000
Forest Inventory for Timber Sale Planning in Southern Southeast Area	100,000	0	0	100,000
Recorder's Office Equipment Upgrades and Records Preservation	0	0	300,000	300,000
Recorder's Office Imaging of Prior Five Years' Index for Customers	0	0	200,000	200,000
Alaska Minerals Information At Risk Program: Mining and Land Records Integration	0	650,000	0	650,000
Aquatic Farming Site Identification	0	0	144,600	144,600
Historic Preservation and Restoration Projects - United States Army Public Works Program	0	600,000	0	600,000
National Historic Preservation Fund Federal Grant Program	50,000	1,200,000	0	1,250,000
Independence Mine Historic Preservation Grant for Building Restoration	0	1,500,000	0	1,500,000
Mental Health Trust Land Development	0	0	800,000	800,000
Abandoned Mine Lands Reclamation Federal Program	0	1,600,000	0	1,600,000
Parcel Purchases by Exxon Valdez Oil Spill Trustees	0	0	291,000	291,000
National Fire Plan Federal Initiative	0	1,200,000	0	1,200,000
Promoting Agriculture in Alaska	0	295,000	0	295,000
Forest Legacy Federal Grant Program	0	500,000	0	500,000
Land and Water Conservation Fund Federal Grants	0	500,000	0	500,000
National Recreational Trails Federal Program	0	695,000	0	695,000
Department Total	3,955,000	9,840,000	1,735,600	15,530,600

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

The following are the key proposed budget increases:

Oil and Gas Development component - \$750.4 GF:

Oil Safety and Development Initiative - \$500.0 GF:

DNR's participation in this initiative are by Oil & Gas and Mining, Land and Water staff for the following activities:

- Due to competitive areawide leasing, the addition of the exploration license program, and the unexpected popularity of the shallow gas-leasing program, it is currently taking the division up to a year to conduct title reviews and issue leases. The division's goal is to be able to issue leases 3-4 months following a lease sale or receipt of application.
- Shallow gas leases are currently being issued in areas where there are dense numbers of surface owners. This could lead to potential conflicts between surface owners and industry, which can be mitigated, in part, through public education and the division taking a more visible role in conducting on-site inspections. With additional staff requested, the division expects to be more proactive in conducting inspections on the Kenai Peninsula and the Mat-Su Valley.

Oil and Gas Royalty Valuation - \$250.4 GF

Over the last year, the division's commercial workload increased substantially as the division initiated renegotiations of existing royalty settlement agreements, delved into gasline issues, and sought to resolve long-standing royalty disputes. Central to these issues are pipeline tariffs. Small differences in the allowed tariffs on state royalty production means millions of dollars differences in the amount of royalty dollars received by the state. For example, a five-cent per barrel change in the TAPS tariff means a difference of \$40 million per year to the state treasury. Understanding and negotiating these tariffs is a very specific professional skill. The division requires pipeline expertise for the potential North Slope gas pipeline and several common carrier pipelines including TAPS, Northstar, Alpine, and the Milne Point products pipeline, as well as new pipelines constructed to carry production from new fields.

Minerals, Land, and Water Development BRU - \$350.0 GF:

Denali Block Mgt - Claims, Permits and Leases Component - \$160.0 GF

The Denali Block is the unofficial name given to about 5 million acres of largely federal land along the Denali Highway between Paxson and Cantwell. Over the last few years there has been a great deal of mineral exploration in the area that indicate the potential for a significant deposit of platinum. The area is also used for recreation and camping and is important for sport hunting and subsistence. The Denali Block also includes the Tangle Lakes Archaeological district, containing more than 400 sites. DNR has placed 235,000 acres (less than 5% of the total area) on its conveyance priority list to accelerate mineral exploration. With ownership of this land, however, comes the responsibility to actively manage the land.

Oil Safety and Development Initiative - Claims, Permits and Leases Component - \$110.0 GF

The Division of Mining, Land & Water is an active participant in the management of oil and gas leases and actively manages the surface activities outside of the lease boundaries. In addition to other O&G activity, DNR received over 300 shallow gas applications last year. Many of these applications are in more urban settings, creating conflicts with use. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs.

Oil Safety and Development Initiative - Title Acquisition & Defense Component - \$80.0 GF

The state may only lease land where it owns the subsurface rights. Therefore, before a lease may be issued in accordance with AS 38.05.180(f) and (m), DNR must conduct a title search. With current staffing DMLW has a 6-month backlog for O&G lease sale title reports. With the addition of one Natural Resource Officer II, the division will be able to stay on track with DNR's scheduled O&G activities.

Parks & Recreation Management component - \$760.9 GF:

Parks Improved Maintenance, Safety, and Fee Collection - \$700.0 (450.0 GF, \$250.0 GFPR)

Parks has reached a critical juncture where they can no longer provide adequate staffing and maintenance attention necessary to keep the parks safe and clean. Existing park operations and maintenance staff, 57% of whom work less

than 12 months, are unable to keep up. This has led to a reduced ability to manage volunteers. It creates a challenge for safeguarding user fees. And it forces critical staff to often work alone.

The maintenance needs of park facilities and fee collection will be improved. The maintenance needs that will be addressed include painting of outhouses, picnic tables, and other structures, maintenance on water systems and wells, clearing hiking and ATV trails, and fixing leaking roofs. Additional support is included for collecting, counting, and safe guarding fees in Mat-Su, Kenai, and Fairbanks where existing staff cannot keep up with the increase dollars raised through park user fees.

- **Parks two-way radio circuit increases - \$40.7 GF**
- **Parks fuel cost increases \$20.2 GF**

Statehood Defense BRU - RS 2477 Easement Management - \$300.0 GF:

This request is in response to significant public demand for DNR action following passage of AS 19.30.400-.415. Conflicts among users and landowners of the more than 650 known RS 2477 rights-of-way is an increasing problem. Resolution is time-consuming. In addition, the law requires that DNR use great care in vacating an RS 2477 right-of-way. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties to determine: 1) Whether an RS 2477 has been asserted or if not, whether evidence indicates that a public right exists; 2) how certain the physical location is and whether a survey needs to be performed (surveys require DNR review and approval); and 3) whether the owners want a realignment of the right-of-way (on their own property) or to vacate the right-of-way altogether.

Other GF changes are:

- Agricultural Development component -Increase in Soil & Water Board expenses - \$10.0 GF.
- Switch in Water Development component program from GF(\$84.0) to Receipt Supported Services \$84.0.

Key budget decreases are in:

Management and Administration - EVOS Trustee Council Projects - (\$528.2) EVOS Funds.
Resource Development - Mental Health Lands Administration - (\$20.2) MHTAAR Funds.

For all non-general funded budget changes see individual component write-ups for more detail. The summary of key changes are:

Recorder's Office Component:

- Taking over the remaining three Court Offices - \$60.0 Receipt Supported Services.
- Data Base Administration and IT support - \$80.0 Receipt Supported Services.
- Facilities Rent payments - \$266.2 Receipts Supported Services.
- Classification of Recorder's Series - State Internal Alignment - \$120.0 Receipt Supported Services.

Information Resource Management Component:

- BLM's Integrated Data Framework for Electronic Delivery - \$200.0 Federal Funds.

Forest Management Component:

- Overcoming Barriers to Value-Added Timber Sales - \$50.0 Timber Receipts.
- Hazard Fuels Assessment and Mitigation Projects - \$230.0 (\$60.0 I/A, and \$170.0 CIP).

Water Management Component:

- Dam Safety Projects - \$45.0 SDPR reimbursement from applicants.
- Dam Safety - FEMA - \$10.0 Federal Funds.

Land Sales & Municipal Entitlements Component:

- Increase the rate of transfer of state land to Municipalities - \$210.0 Land Disposal Income Fund.

Parks Management Component:

- Increase participation in the F&G Dingle Johnson Grant projects - \$115.0 I/A.

North Latitude Plant Material Center Component:

- Alaska Seed Grower Assistance Program - \$350.0 Federal Receipts.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	35,702.4	13,215.2	24,650.4	73,568.0
Adjustments which will continue current level of service:				
-Management and Administration	49.0	0.6	31.5	81.1
-Information/Data Management	33.9	0.3	66.3	100.5
-Resource Development	0.0	0.0	20.2	20.2
-Forestry Management and Develop	113.1	13.5	13.7	140.3
-Oil and Gas Development	-98.7	1.7	96.8	-0.2
-Minerals, Land, and Water Dev.	90.1	22.9	154.8	267.8
-Parks & Recreation Mgmt	88.6	3.9	56.9	149.4
-Agricultural Development	0.0	29.0	32.8	61.8
-Agr Revolving Loan Pgm Admin	0.0	0.0	6.0	6.0
-Statewide Fire Suppression	33.7	0.8	0.0	34.5
-Language Section Appropriations	0.0	0.0	-325.4	-325.4
Proposed budget decreases:				
-Management and Administration	0.0	0.0	-528.2	-528.2
-Resource Development	0.0	0.0	-20.2	-20.2
-Minerals, Land, and Water Dev.	0.0	0.0	-58.0	-58.0
Proposed budget increases:				
-Management and Administration	0.0	0.0	90.0	90.0
-Information/Data Management	0.0	200.0	546.2	746.2
-Forestry Management and Develop	0.0	0.0	280.0	280.0
-Oil and Gas Development	750.4	0.0	2,190.3	2,940.7
-Minerals, Land, and Water Dev.	350.0	10.0	308.8	668.8
-Parks & Recreation Mgmt	760.9	0.0	115.0	875.9
-Agricultural Development	10.0	350.0	25.4	385.4
-Agr Revolving Loan Pgm Admin	0.0	0.0	30.0	30.0
-Statehood Defense	300.0	0.0	0.0	300.0
-Facilities Maintenance	0.0	0.0	101.6	101.6
FY2003 Governor	38,183.4	13,847.9	27,884.9	79,916.2

Management and Administration Budget Request Unit

Contact: Nico Bus, Administrative Services Manager

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BRU Mission

See specific information at component level.

BRU Services Provided

See specific information at component level.

BRU Goals and Strategies

See specific information at component level.

Key BRU Issues for FY2002 – 2003

See specific information at component level.

Major BRU Accomplishments in 2001

See specific information at component level.

Key Performance Measures for FY2003

Measure:

Commissioner's Office - The percentage of divisions that meet the assigned performance measures.
Sec 108(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The department will meet 97.7% of their assigned performance measures reporting requirements. We are unable to report on the legislative measure in SLA2001, Ch90, Sec 115(b)(3) - "The percentage of total available agricultural acreage placed in production", since statistics are not available to accomplish this as written.

Although there is no official target provided by the legislature, which relates to the funding provided, the department attempts to meet all of its performance measures. Some of the measures are not readily available so we estimate them until a more formal study or report can be completed.

The Commissioner's Office has been collected data for the past few years on the divisions' performance measures and adjustments are made as needed.

Benchmark Comparisons:

The department hopes to measure up well against other departments and figure once a benchmark is established we will meet or exceed it.

Background and Strategies:

The department started the Performance Measures process several years ago and has statistical data to report on performance. There are detailed reports available to the Commissioner to see the patterns based on funding level compared to production level.

The overall outcomes are what we are most concerned with and are standing by to work with user groups, the Legislature, and the Administration to further refine our performance measures.

Measure:

Commissioner's Office - The revenue generated by the development and sale of natural resources.
Sec 108(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 \$1.1 billion was received in total revenues.

Benchmark Comparisons:

There is no specific benchmark as we try to maximize the revenues to the state given the price of the commodity.

Background and Strategies:

The department's mission is to develop, conserve, and enhance natural resources for present and future Alaskans. This means that we try to meet the demand of the resource development in a responsible way and optimize our return in today's market but also by keeping an eye out for the future.

Measure:

Commissioner's Office - The average time taken to respond to complaints and questions that have been elevated to the commissioner's office.
Sec 108(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The department tracks formal correspondence through a Correspondence Tracking System (CTS). We do not track phone calls coming to the commissioner's office.
In FY01 it took an average of 15 days for the department to respond to items track in the CTS.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The department tries to respond to our customers as quickly as possible.

Measure:

Commissioner's Office - The average time taken to respond to appeals and reconsiderations that have been elevated from the divisions to the commissioner's office.
Sec 108(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

This is the first year we are trying to measure our performance. The average response time is 29.2 days.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The department has regulations which set the criteria for us to respond to appeals and reconsiderations, which have been elevated to the commissioner's office.

Measure:

Administrative Services - The average time taken to pay vendors.
Sec 109(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 the average vendor payment time was 24.2 days.

Benchmark Comparisons:

The standard for average vendor payment time is 30 days, before late charges and penalties are assessed.

Background and Strategies:

The strategy is for the department to pay the vendor community within 30 days, this helps both the State and the vendor community with their cash flow. Our goal is to not incur any penalty or late payment interest charges.

Measure:

Administrative Services - The number of late penalties for payroll.
Sec 109(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

We currently do not have any penalties for late payroll payments.

The goal is to have NO penalties for late payroll payments.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The most important issue for employees is to receive their paychecks on time and in the correct amount. We strive very hard to make sure all paychecks are mailed timely and that they are calculated correctly as this is good for morale and productivity.

Measure:

Administrative Services - The number of audit exceptions.
Sec 109(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The Department just received a "clean" Legislative Audit Report for the department's financial audit for the general fund activity for FY00. (report #10-10000-00)

Benchmark Comparisons:

The ideal is NO audit exceptions!

Background and Strategies:

An independent measure of the Administrative Services functions' success is a "clean" audit by Legislative Audit. Our strategy is to have all accounting, payroll, and procurement actions comply with state rules and regulations and generally acceptable accounting and business practices.

Measure:

Administrative Services - The cost of administrative services as compared to the total personnel costs for the department.
Sec 109(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The total Administrative Services Component cost for DNR in FY01 was \$2.2 million, as compared to the total personnel cost for the department of \$50.7 million. Using these numbers the administrative services rate is 4.34%.

Benchmark Comparisons:

There is no benchmark as all the Administrative Service Components and Departments have different functions and requirements.

Background and Strategies:

In DNR the Administrative Service Component includes the Anchorage Revenue Accounting and Billing Unit. This Unit is responsible for collecting and accounting for the department's \$1.1 billion in revenues from all its varied operations. We deal with a broad variety of revenues, from collecting the Oil & Gas Royalties, to billing for all the land contracts and leases, to mining claim rentals, water rights, park fees etc.

The overall strategy within DNR is to keep the Administrative Services Cost as low as possible in order to maximize the funding going directly to programs delivering services to the public and the industries we serve.

Measure:

Public Services Office - Number of customers assisted in person.

Alaska's Target & Progress:

Over 25,000 customers were assisted in FY01, a 67% increase from FY00. FY02 figures are above average.

Benchmark Comparisons:

Historical data indicates an average of 15,000 customers are served in person on an annual basis.

Background and Strategies:

The Public Information Center was created several years ago by combining all the service counters from each division into one central location. This makes the public interface much more efficient for the customer and creates efficiencies for other DNR employees. The Public Information Centers take in payments, process applications, assist the customers with research, and refer people to the proper DNR contacts or other agencies.

Measure:

Public Services Office - Number of customers assisted by the PIC web pages.

Alaska's Target & Progress:

In FY01, the PIC web site received 48,000 unique visits. Web visit frequency continues to increase.

Benchmark Comparisons:

Approximately 40,000 customers are served by the PIC web pages annually. The entire DNR website received over 192,000 unique visits during FY01.

Background and Strategies:

As the public becomes more literate with computers and the Internet, DNR seeks to utilize this tool to disseminate information and to conduct business processes. With Alaska residents as disperse as they are in this big state, we must utilize current technologies to better serve our remote clientele. The Public Information Center still plays a key role in this Internet interface with the public, as people still need assistance in finding what they seek. The PIC staff will continue to make the front door pages of DNR's web pages as user friendly, informative and efficient as possible.

DNR offers many services on the Internet. Land records, plats, geologic reports, and other research tools are available. Customers can make bill payments on line for many contractual services and mining claims. Our land sale programs utilize the Internet to distribute brochures and other pertinent information. Many applications, fact sheets and other program information are available for customers. We are currently developing ways to accept applications on line to reduce paper handling and to provide a better service to customers.

Management and Administration
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Commissioner's Office	482.7	0.0	120.4	603.1	493.5	0.0	54.2	547.7	505.3	0.0	55.8	561.1
Administrative Services	1,553.0	0.0	648.7	2,201.7	1,564.6	0.0	576.5	2,141.1	1,601.8	0.0	655.5	2,257.3
Public Services Office	0.0	0.0	313.5	313.5	0.0	0.0	348.4	348.4	0.0	0.0	382.2	382.2
Trustee Council Projects	0.0	0.0	878.8	878.8	0.0	150.4	1,596.4	1,746.8	0.0	151.0	1,075.3	1,226.3
Totals	2,035.7	0.0	1,961.4	3,997.1	2,058.1	150.4	2,575.5	4,784.0	2,107.1	151.0	2,168.8	4,426.9

Management and Administration

Proposed Changes in Levels of Service for FY2003

See specific information at component level.

Management and Administration

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	2,058.1	150.4	2,575.5	4,784.0
Adjustments which will continue current level of service:				
-Commissioner's Office	11.8	0.0	1.6	13.4
-Administrative Services	37.2	0.0	15.0	52.2
-Public Services Office	0.0	0.0	7.8	7.8
-Trustee Council Projects	0.0	0.6	7.1	7.7
Proposed budget decreases:				
-Trustee Council Projects	0.0	0.0	-528.2	-528.2
Proposed budget increases:				
-Administrative Services	0.0	0.0	64.0	64.0
-Public Services Office	0.0	0.0	26.0	26.0
FY2003 Governor	2,107.1	151.0	2,168.8	4,426.9

Component: Commissioner's Office

Contact: Pat Pourchot, Commissioner

Tel: (907) 465-2400 **Fax:** (907) 465-3886 **E-mail:** Pat_Pourchot@dnr.state.ak.us

Component Mission

To provide support and policy direction to each of the divisions within the department to achieve the department's mission.

Component Services Provided

The Commissioner's Office Component provides policy and management direction to the DNR divisions, resource policy advice to the Governor and the Cabinet, and resource information to the Legislature. Line authority is exercised to oversee and facilitate the wise use, development and conservation of state owned land, water, timber, mineral, oil and gas, agricultural and recreational resources. We foster inter-divisional and interdepartmental cooperation, assist in developing and monitoring legislation, and carefully consider any citizen appeals of divisional decisions.

Component Goals and Strategies

The Commissioner's Office Component ensures the priorities of DNR are in alignment with those of the Governor and the State Constitutional mandates. This philosophy is reflected in DNR's four major goals:

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.
3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.
4. Streamline natural resource leasing, sales, and permitting processes.

Key Component Issues for FY2002 – 2003

See the departmental summary and individual components.

Major Component Accomplishments in 2001

See the departmental summary and individual components.

Statutory and Regulatory Authority

AS 38/AS 41

Commissioner's Office

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	481.5	463.2	476.6
72000 Travel	35.5	30.0	30.0
73000 Contractual	65.9	49.3	49.3
74000 Supplies	17.0	5.2	5.2
75000 Equipment	3.2	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	603.1	547.7	561.1
Funding Sources:			
1004 General Fund Receipts	482.7	493.5	505.3
1007 Inter-Agency Receipts	116.9	54.2	55.8
1053 Investment Loss Trust Fund	2.5	0.0	0.0
1108 Statutory Designated Program Receipts	1.0	0.0	0.0
Funding Totals	603.1	547.7	561.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	116.9	54.2	54.2	55.8	55.8
Statutory Designated Program Receipts	51063	1.0	0.0	0.0	0.0	0.0
Restricted Total		117.9	54.2	54.2	55.8	55.8
Total Estimated Revenues		117.9	54.2	54.2	55.8	55.8

Commissioner's Office**Proposed Changes in Levels of Service for FY2003**

No change in the services provided are anticipated.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	493.5	0.0	54.2	547.7
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	11.8	0.0	1.6	13.4
FY2003 Governor	505.3	0.0	55.8	561.1

Commissioner's Office

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	6	6	Annual Salaries	355,618
Part-time	0	0	COLA	11,506
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	121,271
			<i>Less 2.42% Vacancy Factor</i>	(11,795)
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	476,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk III	1	0	0	0	1
Commissioner	1	0	0	0	1
Dep Commissioner	1	0	0	0	1
Exec Secretary II	0	0	1	0	1
Secretary	1	0	0	0	1
Spec Asst To The Comm II	1	0	0	0	1
Totals	5	0	1	0	6

Component: Administrative Services

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

Component Mission

To provide effective and efficient administrative services to departmental employees and programs in order to maximize public service (Differs from SLA 2001, CH 90, Section 109).

Component Services Provided

This component provides administrative policy and management services to the department.

In 1996 the Department of Natural Resources and Military & Veterans Affairs agreed to a Shared Services Agreement. This Shared Services Agreement includes sharing one Director of Administrative Services for the two departments, co-location of the Juneau offices, shared legislative liaison, budget, and sharing of Juneau support staff and equipment.

The Administrative Services Component consists of four sections, with staff located in Juneau and in Anchorage. The sections are:

1. Administrative Support
2. Financial Services
3. Human Resources and Payroll
4. Revenue and Resource Accounting

The Administrative Support Section:

The Administrative Support Section includes the shared Director of Administrative Services and it provides general management oversight to the Support Services Division, which includes the State Recorder's Office, the Information Resources Management Section and Administrative Services Sections. The Section:

- Prepares and monitors the operating and capital budgets for the departments of Natural Resources and Military & Veterans Affairs.
- Provides legislation liaison for both DNR and DMVA.
- Tracks legislation, keeps bill analysis and fiscal notes current
- Legislative testimony on the two departments' budgets
- Manages office space, contracting services, vehicles, equipment, supplies and support services such as mail and courier service.
- Provides consolidated mailroom services for the DNR divisions. This includes sorting of all incoming mail, preparation of the daily courier pouch. These services also include maintaining the mail room supplies, postage machine, acting as the key operator for the copier machine, and distribution of mail.

The Financial Services Section:

This section provides centralized financial management and accounting in support of DNR components. The centralized functions include payment of all invoices; program receipts, federal grant and reimbursable service agreements accounting; payroll labor cost distributions; appropriation accounting; and payment of all inter-department billings. Financial Services establishes and implements departmental financial policies and procedures in accordance with law, statutes, regulations, and Generally Accepted Accounting Principals (GAAP). This Section also provides departmental training in financial policies and procedures, grant accounting and AKSAS.

The staff ensures that:

- Accounting support for all federal grants and program receipts is provided. Annually over 157 different federal grants and program receipts are managed totaling in excess of \$26.5 million. In addition, Financial Services processes monthly billings on 312 reimbursable service agreements with a total budget of over \$24.6 million.
- Fire Suppression accounting support is provided to this unique program which involves accounting for a cooperative agreement with the federal government for payment of fire suppression expenses on State and Federal land. Billings to the U.S. Forest Service (USFS) and the Bureau of Land Management (BLM) range from \$2.4 to \$22.0 million. Track suppression expenditures in AKSAS for over 1,000 fire incidents annually.

- The department's Budget Analyst and Administrative Services Manager are supported in the preparation of the annual Operating and Capital budgets through all stages, posting of the Operating and Capital authorization to the correct appropriations in AKSAS, submission of Fiscal Notes, Supplementals and Revised Programs.
- The department's budget projection reports are prepared, which are reviewed and distributed by the department's budget analyst.
- The distribution of accurate hardcopy AKSAS financial management reports and Geneva audit trails to the operating divisions. These reports are used to verify expenditures, bill federal grants and project expenditures. Financial Services also completes various reports and responses to DOA Division of Finance, Office of Management & Budget, Legislative Finance and Federal Agencies. Reports include: DOA's Annual Financial Reports, Federal Schedule, 1099 verification, OMB Federal Pass-through grants and Payment in-lieu of taxes.
- Training is provided to administrative staff on the use of the Alaska State Accounting System (AKSAS). This includes hands-on AKSAS classes, on-line management reporting and instruction in AKSAS payment certification. Training is also given on Accounts Payable policies, Federal Grant & Program receipt accounting, and training on the preparation of the state operating and capital budgets.

The Human Resources Section:

The Human Resources section handles internal personnel functions for some 552 permanent full-time, 238 permanent part time and 2000 seasonal employees. DMVA's payroll staff and numbers are addressed in DMVA budget but the staff is under the general guidance and supervision of this Section.

The Human Resource Management/Payroll Section provides essential support for all DNR and DMVA employees and managers in the broad area of human resources including: recruitment, examining, classification, labor contract interpretation and enforcement, implementation and compliance with federal and state requirements such as the Fair Labor Standards Act, Americans with Disabilities Act, Family Leave etc.

The staff ensures that:

- DNR's mission is carried out in the most professional manner possible by recruiting the best qualified work force, including special recruitment for local residents in rural areas, women and minorities, and for individuals with unique qualifications when required.
- Error free payroll services are provided to the department's employees.
- Ensures that all positions in the Department are properly classified and paid in accordance with the State Personnel Act and collective bargaining agreements.
- Ensures that DNR is in compliance with the Americans with Disabilities Act (ADA).
- Employment opportunities are provided for Alaskan residents.
- Department managers are advised on provisions of the collective bargaining unit agreements, Fair Labor Standards Act, Americans with Disabilities Act, Family Medical Leave Act, Alaska Family Leave Act, and other state and federal laws pertaining to employee rights and protection.
- The occurrence of employee relations and labor disputes are minimized by ensuring that all personnel transactions comply with AS 39, labor agreements, FLSA, state and federal law, and that all are in accordance with good personnel principles.
- Management is represented in labor disputes by investigating union grievances and complaints, human rights, EEO, and ombudsman complaints, and processing these complaints through resolution.
- Training needs of all employees are considered.
- Managers and employees are assisted in all aspects of down-sizing activities; i.e., layoffs, reorganizations, out-placement services and retirement incentive programs.

The Revenue & Resource Accounting Section:

This section is responsible for the revenue accounting for all DNR programs. In FY01 ~\$1.0 billion in revenues were collected and accurately distributed to over 480 accounts within the DNR revenue structure.

The staff:

- Collects, controls and accounts for all annual revenues generated by the use, sale, or lease of the natural resources under the control of DNR.
- Provides timely and accurate billing, defaulting, maintenance of on-line information, and customer service for a portfolio composed of 18 contract types and 35,000 subsidiary lease and sale agreements.
- Provides training to DNR personnel on the use of the DNR Revenue and Billing computer system to track financial information for agreement management.
- Provides timely and accurate processing of department-wide travel and fire suppression subsistence expenditures to

vendors and personnel within the Department.

- Distributes revenues accurately and as required by legislation. All statutory requirements are met for proper distribution of DNR revenues to the general fund, permanent fund, school fund, school escrow fund, mental health trust fund, budget reserve fund, land disposal income fund, and administrative settlement funds.
- Provides revenue activity reports in a timely manner to meet the needs of the DNR managers.
- Provides an annual report via magnetic media to the IRS of interest paid on sale contracts, as required by federal law.
- Provides a Statement of Account to each sale contract customer summarizing the yearly account activity.
- Accurately maintains the 950 subsidiary trust deposits in agency trust accounts.
- Reviews, reconciles, and reports to Dept. of Administration each fiscal year on the status of DNR receivables in the general fund, school fund, school escrow trust fund, mental health trust fund, and the land disposal income fund.
- Responds to annual legislative audits conducted to ensure timely and accurate revenue processing.

Component Goals and Strategies

The Administrative Services Component's primary goal is to provide the most effective and efficient support service to those divisions that are directly serving the public.

The business of this component is to provide consolidated support to the Commissioner's Office, the operating programs of DNR, the Fire Suppression Emergencies and to the various boards and commissions that rely on us for administrative support. This includes providing the best possible budgeting, finance and accounting support; timely and accurate payroll processing; recruitment of qualified, trained and motivated personnel; responsive procurement and facilities management; and the most efficient revenue collection and accounting.

This Component also has a shared services agreement with the Department of Military & Veterans Affairs, which includes sharing legislative liaison, budgeting, and courier functions.

The Administrative Services goals are to:

- Coordinate the preparation, presentation, and justification of DNR's and DMVA's Operating and Capital budgets in a thorough and timely manner.
- Provide quality, timely contracting services for the operating programs.
- Provide an effective and efficient accounting system to collect, control and account for annual revenues generated by the use, sale, or lease of the natural resources under the control of the Department of Natural Resources and distribute these revenues as defined by statute, regulation and policy.
- Pay all vendor obligations in a timely manner taking advantage of the investment potential of the return on cash to the state.
- Ensure that all employees of DNR are paid correctly and on time.
- Provide a hassle-free environment for customers and employees while abiding by the personnel standards to ensure fair and equitable treatment for all.
- Track expenditures and receipts in a manner that provides accuracy, timeliness, and maximizes the usefulness of revenue information.
- Maintain DNR's property records and supervise the annual physical inventory.

Key Component Issues for FY2002 – 2003

Maintaining the quality level of services as part of the Shared Services Agreement between DNR and DMVA in times of declining resources is a concern. With increased delegations from the Department of Administration in the areas of Human Resources, Procurements, and Accounting; coupled with the implementation of the Automated Budget System, and the transfer of administrative functions from within the departments the staff is getting stretched thin and is challenged to keep meeting all the deliverables.

Increased pressure to improve services to the public through the use of procurement cards, credit cards, and on-line services also increase the administrative workload and the requirement to establish proper checks and balances.

Major Component Accomplishments in 2001

Coordinated the preparation, presentation, and justification of DNR's and DMVA's Operating and Capital budgets in a

thorough and timely manner.

Continued the level of procurement support by processing of 150 purchase requests resulting in approximately \$5.9 million in awards, 42 construction contracts for \$2.4 million, 11 cooperative agreements for \$415.0, \$617.0 in 41 grants, and \$2.1 million in 55 professional services contracts.

Accurately receipted for 24,000 payments annually and coordinated the receipting and depositing activities for an additional 125,817 receipts handled by 125 receiptors in 39 area offices. Audited and maintained approximately 46,500 subsidiary ledgers. Provided quality customer service for over 44,000 lease and sale contracts. Provided on time, accurate reports to the IRS on over 1,100 land sale contracts including a Statement of Account on all payment activity by each contract holder.

Continued the customer focus that resulted in ~30,000 invoices, totaling more than \$52 million being paid in an average turnaround of 24.2 days.

Emphasized service to the internal customer by eliminating errors or delays in paying personnel. This was accomplished in processing over 5,000 personnel actions and 22,000 time sheets.

Followed the requirements of AS 39, Fair Labor Standards Act, and contract requirements to minimize grounds for complaints and ensured positive employee morale. Investigated complaints fairly and in a timely manner. Fully complied with the spirit and letter of the Americans with Disabilities Act.

Accurately tracked approximately 157 different federal grant and program receipt sources. Correctly processed over 312 Servicing and Requesting Reimbursable Service Agreements. Maintained the Fire Suppression Account to fully support this critical and complex joint federal and state multi-agency incident based program.

Accurately managed over \$10 million in controlled equipment.

Statutory and Regulatory Authority

AS23, AS38, AS36.30, AS39, and AS43.05

Administrative Services

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,969.9	2,020.6	2,136.8
72000 Travel	22.7	10.5	10.5
73000 Contractual	115.8	92.4	92.4
74000 Supplies	36.0	17.6	17.6
75000 Equipment	57.3	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,201.7	2,141.1	2,257.3
Funding Sources:			
1004 General Fund Receipts	1,553.0	1,564.6	1,601.8
1007 Inter-Agency Receipts	629.9	576.5	655.5
1053 Investment Loss Trust Fund	8.6	0.0	0.0
1061 Capital Improvement Project Receipts	6.8	0.0	0.0
1108 Statutory Designated Program Receipts	3.4	0.0	0.0
Funding Totals	2,201.7	2,141.1	2,257.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	158.7	0.0	152.4	0.0	0.0
Unrestricted Total		158.7	0.0	152.4	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	629.9	576.5	576.5	591.5	591.5
Statutory Designated Program Receipts	51063	3.4	0.0	0.0	0.0	0.0
Capital Improvement Project Receipts	51200	6.8	0.0	0.0	0.0	0.0
Restricted Total		640.1	576.5	576.5	591.5	591.5
Total Estimated Revenues		798.8	576.5	728.9	591.5	591.5

Administrative Services**Proposed Changes in Levels of Service for FY2003**

No changes in services are anticipated.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,564.6	0.0	576.5	2,141.1
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	37.2	0.0	15.0	52.2
Proposed budget increases:				
-Position funded by DNR Divisions to Provide Human Resources Support	0.0	0.0	64.0	64.0
FY2003 Governor	1,601.8	0.0	655.5	2,257.3

Administrative Services
Personal Services Information

Authorized Positions		Personal Services Costs		
	FY2002	FY2003		
	Authorized	Governor		
Full-time	37	38	Annual Salaries	1,582,802
Part-time	1	1	COLA	42,113
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	615,580
			<i>Less 4.63% Vacancy Factor</i>	(103,695)
			Lump Sum Premium Pay	0
Totals	38	39	Total Personal Services	2,136,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	1	0	0	0	1
Accountant III	0	0	1	0	1
Accountant IV	1	0	1	0	2
Accounting Clerk I	0	0	1	0	1
Accounting Clerk II	3	0	2	0	5
Accounting Spvr I	0	0	1	0	1
Accounting Tech I	3	0	2	0	5
Accounting Tech II	2	0	1	0	3
Accounting Tech III	0	0	1	0	1
Administrative Clerk II	1	0	1	0	2
Administrative Clerk III	1	0	0	0	1
Administrative Svcs Mgr	0	0	1	0	1
Division Director	0	0	1	0	1
Human Resources Mgr III	0	0	1	0	1
Mail Svcs Courier	1	0	0	0	1
Personnel Asst I	2	0	2	0	4
Personnel Officer I	1	0	1	0	2
Personnel Specialist I	0	0	2	0	2
Procurement Spec I	1	0	0	0	1
Procurement Spec II	1	0	0	0	1
Procurement Spec IV	1	0	0	0	1
Program Budget AnalystIV	0	0	1	0	1
Totals	19	0	20	0	39

Component: Public Services Office

Contact: Wyn Menefee, Public Information Officer

Tel: (907) 269-8412 **Fax:** (907) 269-8901 **E-mail:** wynm@dnr.state.ak.us

Component Mission

The Department of Natural Resources Public Information Centers (PICs) provide one stop shopping for the public to interface with DNR by keeping the public informed and providing easy access to this complex agency. The outcome is to improve the public's ability to use and enjoy the State land and resources.

Component Services Provided

The two Public Information Centers (PICs) provide a place for the public to go to ask questions, pay bills, get forms, obtain services, and complete research. The PICs are the difference between a complex agency understandable only to experts, and a public-friendly agency where forms, permits, and answers to questions are easily available to everyone.

The services provided under this component allow the department to efficiently conduct business with the public. These centers provide basic essential business functions and services that insure timely processing of applications and payments. They also provide the time consuming public interface to allow other DNR employees to more efficiently conduct their assigned duties without interruption. The PICs make sure the public is able to find and obtain what they need from DNR while at the same time making the public aware of the need, purpose, and value of the State's land and resource assets and their appropriate management.

The Public Information Center's services provide two primary outputs.

- Provide essential services to the public.
- Keep the public informed of DNR programs, policies, regulations, and activities.

Output 1. Provide essential services to the public. The PIC operates two Public Information Centers. The main center is in Anchorage. A smaller center operates in Fairbanks.

The public information centers receive payments from the public for sales, rents, leases, bond pools, royalties, and other activities. They have full receipting capability for any payments made to the divisions. Last fiscal year the PIC staff receipted over 7.6 million dollars in individual transactions. The PICs receive and process applications for land and resource use. In order to alleviate public frustration and lower application processing cycle times, it is essential that the PIC staff is knowledgeable enough to get the correct application for whatever the desired use and to insure that the applicant correctly fills out the application and attaches necessary documentation. The PICs reserve public use cabins throughout the state, sell annual park passes and decals, and provide park information requested. PIC staff provide land research assistance to the public. Not only do they sell land status plats, interpret area plans, and pull case file abstracts, they provide the personalized assistance required to help the public understand the information given. The public can obtain and purchase maps and publications that help people to understand the resources and management of Alaska's lands. The PICs also provide the primary public contact for department land sales, marketing, informing, selling, and processing applications. Last fiscal year the PIC participated in seven new land sales and three other continuing sales, each with different rules of participation.

Output 2. Keep the public informed of DNR programs, policies, regulations, and activities.

The PIC staff maintain and improve brochures and fact sheets about State land programs and activities requiring authorizations. These fact sheets must be kept current and accurate as programs and regulations change. The public also must be informed of the regulations to facilitate appropriate use of State land and facilities. The PICs utilize current technology to better disseminate DNR information including maintaining the DNR front door web pages. This requires daily upkeep of the web pages to insure accurate and timely information is provided. Through media releases, public service announcements, and interviews the PICs insure effective media coverage on current DNR actions and issues. Through coordination with other agencies and information centers the PICs help the public to understand DNR's interagency relationships and to insure accurate and current DNR information is disseminated. The PICs also provide feedback to DNR employees about public concerns, requests, desires, or misunderstandings. Essentially the PICs act as two-way information brokers and often as interpreters to "governmentese."

Component Goals and Strategies

Outcome: Public and private use and enjoyment of State land, and resources.

Goals:

1. Provide essential services to the public.

Accurately receipt all payments received in the PIC from the public for sales, rents, leases, bond pools, royalties, and other activities.

Receive and process applications for land and resource use within a two-day cycle time and insure that applicants submit the correct applications necessary for their situation.

Provide as many business functions as possible on the internet.

2. Keep the public informed of DNR programs, policies, regulations and activities.

Provide personal assistance and dispense information to the public to insure that they obtain necessary understanding for that which they are seeking.

Maintain easy to understand fact sheets about DNR programs and authorized activities and distribute other related printed material.

Utilize current technology to better disseminate DNR information including maintaining the DNR front door web pages.

Insure effective media coverage on current DNR actions and issues.

Key Component Issues for FY2002 – 2003

As much of the public is becoming computer literate, DNR is attempting to shift some of its business practices to be available by internet. The PIC will maximize the use of the internet where possible to disseminate information and to conduct business. The PIC will be integrally involved in maintaining internet sites to keep them current and accurate, but the human component will not be overlooked as this is what most people want. Most people still want that personalized service to help them through the government maze that seems so overwhelming. That is where the PIC will continue to be crucial in maintaining the business traffic into the future.

The PIC will continue to assist in any projects that streamline government processes for the public and utilize current and future technology to increase efficiencies. We will continue to work with other divisions and sections on a web based application process, GIS utilization, imaging data for easy storage and retrieval, mining claim submission improvements, web based land sale improvements, and a restructuring of the DNR web pages. Then we will move to other e-commerce functions such as making public use cabin reservations via the internet.

The PIC will also be closely involved in the expanded land sales program. The PIC will assist in marketing, sales, and implementation of the new and existing land sales programs.

Major Component Accomplishments in 2001

The PICs have produced multitudes of satisfied DNR customers, even when they were paying us money. That is because the PIC staff emphasizes customer service. Regardless of the issue or the nature of the contact, the staff endeavors to see customers leaving satisfied knowing they were treated well, professionally, and with respect. This helps improve the overall image of state government that we are here to serve the people of this state.

The majority of the Alaska State Park public use cabins were rented by the PICs. The knowledgeable PIC staff spent the time necessary to make sure people rented the cabins best suiting their needs and abilities. People want so much more than just a fact sheet on the cabins, they want local knowledge of conditions, when the fish run, how's the hike, is the beach nice for kids, and much more. From the comments the PIC receives, it is obvious that they help make those recreational visits special.

Many people came to the PICs not knowing exactly what they wanted or not understanding how to get something from DNR. The PIC worked with the customers to provide the information needed and helped people through the permitting and regulatory process as needed. The PIC staff have spent the hours necessary to assist people researching land status or teaching customers how to conduct their own research. If customers had to speak with others beyond the PIC, the PIC staff refined the questions to focus the time spent with other DNR staff. This has prevented numerous hours of interrupted DNR staff time. This in turn helped produce efficiency in DNR by improving cycle times.

The PICs assisted over 25,000 customers in person during FY01, a 67% increase from FY00. The PIC also receipted over \$7.6 million in revenues in FY01, representing a \$3 million increase. In addition, the PIC produced or assisted in distribution of over 186 media releases and 5 internal DNR newsletters. The PIC assisted in the marketing, implementation, and in-person sales for seven new land sales and three other continuing sales, each with different rules of participation. The PIC assisted in developing and maintaining the over 50 DNR web pages that more efficiently relay information to the public. The PIC web page alone received over 48,000 unique visits in FY01 and the DNR site as a whole received over 192,000 unique visits during the same time. The PIC was able install appropriate technology hardware to utilize the technology improvements.

Statutory and Regulatory Authority

The PIC provides the public, contact and outreach required by the statutory authority of other components. It has no specific statutory authority.

Public Services Office
Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	291.4	309.9	343.7
72000 Travel	0.3	3.0	3.0
73000 Contractual	1.9	25.5	25.5
74000 Supplies	6.4	7.0	7.0
75000 Equipment	13.5	3.0	3.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	313.5	348.4	382.2
Funding Sources:			
1007 Inter-Agency Receipts	310.9	348.4	382.2
1061 Capital Improvement Project Receipts	2.6	0.0	0.0
Funding Totals	313.5	348.4	382.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	310.9	348.4	358.0	382.2	387.0
Capital Improvement Project Receipts	51200	2.6	0.0	0.0	0.0	0.0
Restricted Total		313.5	348.4	358.0	382.2	387.0
Total Estimated Revenues		313.5	348.4	358.0	382.2	387.0

Public Services Office**Proposed Changes in Levels of Service for FY2003**

An intern will be utilized in each Public Information Center in Anchorage and Fairbanks to assist with customer service and preparation for the land sales.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	348.4	348.4
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	7.8	7.8
Proposed budget increases:				
-Public Information Center Customer Assistance for Land Sales	0.0	0.0	26.0	26.0
FY2003 Governor	0.0	0.0	382.2	382.2

Public Services Office

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	6	6	Annual Salaries	247,267
Part-time	0	0	COLA	5,662
Nonpermanent	0	2	Premium Pay	0
			Annual Benefits	94,516
			<i>Less 1.08% Vacancy Factor</i>	(3,745)
			Lump Sum Premium Pay	0
Totals	6	8	Total Personal Services	343,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Information Officer III	1	0	0	0	1
Natural Resource Off I	1	1	0	0	2
Natural Resource Tech II	2	1	0	0	3
Student Intern	1	1	0	0	2
Totals	5	3	0	0	8

Component: Trustee Council Projects

Contact: Carol Fries, Natural Resource Manager

Tel: (907) 269-8425 **Fax:** (907) 269-8918 **E-mail:** carol_fries@dnr.state.ak.us

Component Mission

To support restoration of resources and services injured by the Exxon Valdez Oil Spill including state land, archaeological resources, recreational resources, and intertidal resources.

Component Services Provided

DNR provides significant contractual services to the Restoration Office. These services include managing the contract that provides for scientific support by the chief scientist and extensive peer review in a variety of scientific and technical disciplines. In addition, DNR contracts for appraisals, verification of timber cruise and appraisal work, title research, hazardous materials assessments, surveys, mapping, and other professional services as necessary for the Trustee Council to reach closure on negotiated agreements for rights to facilitate habitat protection on lands nominated by willing participants. DNR also manages contracts and cooperative agreements with other state and federal agencies, divisions, non-profits, private sector firms, and municipalities to facilitate restoration of habitat, identification of and access to disparate information and data sources, and enhancement of cultural opportunities.

Component Goals and Strategies

DNR Exxon Valdez Oil Spill Restoration Project Office will provide project management, project implementation and support services to the Restoration Office and Trustee Council in the following project areas: Archaeology, Habitat Protection, Recreation, Mapping, Data and Information Management, Policy and Planning.

Key Component Issues for FY2002 – 2003

Pursuant to the Memorandum of Agreement (MOA) restoration funds must be used "...for the purposes of restoring, replacing, enhancing, or acquiring the equivalent of natural resources injured as a result of the Oil Spill and the reduced or lost services provided by such resources..." In addition, the MOA requires that all decisions shall be made by the unanimous agreement of the Trustees. This budget assumes that the projects approved by the Trustee Council for FFY 2002 will continue into FY03. The Trustee Council will reassess funding needs based on each project's progress, information gained during the year and an assessment of restoration needs. It is anticipated that the Trustee Council will meet late in August or early September to approve the FFY 03 Work Plan.

Major Component Accomplishments in 2001

DNR has completed title work, appraisals, appraisal reviews, surveys, and hazardous materials surveys required to enable the Trustee Council to reach closure in negotiations with land owners of identified priority parcels.

DNR manages a Grant agreement with Chugachmiut to develop an archaeological repository for Prince William Sound and lower Cook Inlet, local display facilities in seven communities in this region and traveling exhibits for display in these facilities. Facilities in Port Graham and Cordova are nearly complete. A training program has been developed for local personnel and design is underway for the repository, remaining village facilities, and traveling exhibits.

DNR in cooperation with DEC, EPA, USGS, USFS has developed a statewide Information Management System, a web site designed to facilitate identification of and access to data and information about Alaska's natural resources. The project was initiated with a prototype focusing on the Kenai River Watershed (FY 99). In FY00, the web site expanded to include the entire Cook Inlet watershed. In FY01, additional tools were added to facilitate retrieval of data and information by geographic location. The project was implemented in a manner which allows for extensibility to other areas of the state. In FY02, the project is focusing on Prince William Sound, Southeast Alaska and the Fairbanks area. This project was developed in response to Cook Inlet Area Wide Lease Sale Stakeholder concerns regarding access and availability of data for analysis in evaluating areas for proposed oil and gas lease sales. This project has made resource information more accessible to agencies and the public via the internet thereby improving public outreach and streamlining the gathering of information associated with permitting, planning and regulatory functions.
<http://info.dec.state.ak.us/ciimms>

DNR has produced database and mapping products analyzing and illustrating land status, timber harvest, habitat, geographic features, and natural resources in support of habitat protection negotiations and restoration projects. The results of these efforts are discoverable and available on the web.

Statutory and Regulatory Authority

AS 37.14.400

AS 31.14.415

AS 37.14.450

Trustee Council Projects

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	151.0	252.6	247.9
72000 Travel	3.0	18.3	10.0
73000 Contractual	671.8	1,468.9	961.4
74000 Supplies	6.1	7.0	7.0
75000 Equipment	46.9	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	878.8	1,746.8	1,226.3
Funding Sources:			
1002 Federal Receipts	0.0	150.4	151.0
1018 Exxon Valdez Oil Spill Settlement	811.5	1,596.4	1,075.3
1061 Capital Improvement Project Receipts	19.4	0.0	0.0
1114 Exxon Valdez Oil Spill Restoration Fund	47.9	0.0	0.0
Funding Totals	878.8	1,746.8	1,226.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Federal Receipts	51010	0.0	150.4	100.0	151.0	151.0
Capital Improvement Project Receipts	51200	19.4	0.0	0.0	0.0	0.0
Restricted Total		19.4	150.4	100.0	151.0	151.0
Total Estimated Revenues		19.4	150.4	100.0	151.0	151.0

Trustee Council Projects

Proposed Changes in Levels of Service for FY2003

In FY03 emphasis will be placed on the enhancement and transfer of Alaska's Information Management and Monitoring project to other areas of the state. This project involves a variety of state, federal, municipal agencies as well as private organizations and members of the public. CIIMMS provides an interactive website for the state to efficiently and effectively contribute, identify, and access relevant information from a distributed network of information providers. This project was developed in response to Cook Inlet Area Wide Lease Sale Stakeholder concerns regarding access and availability of data for analysis in evaluating areas for proposed oil and gas lease sales. The EVOS Trustee Council has funded initial development of the site with a focus on Cook Inlet. Federal receipt authorization is included in the budget in order to secure grant funding and financial contributions from participating agencies such as EPA, MMS, and DOI. Federal funding will allow the prototype to include access to additional data types and enhance the agencies' abilities to identify, access and make available to the public valuable data and information.

The EVOS Trustee Council is transitioning from the Settlement Funded Restoration Program to a long term monitoring and habitat protection program funded by the Restoration Reserve. Overall reductions in the scope of services provided and the number of projects funded are reflected in a corresponding decrease in revenue and expenditures from the EVOS settlement funds.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	150.4	1,596.4	1,746.8
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.6	7.1	7.7
Proposed budget decreases:				
-Reduction in EVOS Services and Projects	0.0	0.0	-528.2	-528.2
FY2003 Governor	0.0	151.0	1,075.3	1,226.3

Trustee Council Projects
Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	4	4	Annual Salaries	182,118
Part-time	0	0	COLA	6,582
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	62,071
			<i>Less 1.14% Vacancy Factor</i>	(2,871)
			Lump Sum Premium Pay	0
Totals	4	4	Total Personal Services	247,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Division Director	1	0	0	0	1
Natural Resource Manager I	1	0	0	0	1
Natural Resource Manager II	2	0	0	0	2
Totals	4	0	0	0	4

Information/Data Management Budget Request Unit

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

BRU Mission

See specific information at component levels.

BRU Services Provided

See specific information at component levels.

BRU Goals and Strategies

See specific information at component levels.

Key BRU Issues for FY2002 – 2003

See specific information at component levels.

Major BRU Accomplishments in 2001

See specific information at component levels.

Key Performance Measures for FY2003

Measure:

Recorder's Office - The percentage of maintained daily entry and weekly verification of the on-line grantor/grantee and location indexing process for all documents accepted in the recorder's offices.

Sec 108(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Current status: During FY01 the mission and measures for the Recorder's Office were changed by the legislature to reflect the fact that it is unrealistic to achieve full input and verification functions in all offices on the same day that documents are recorded due to the number of remote office locations. Because the new measure (shown above) differs substantially from the indexing measure utilized in the prior three quarters of FY01, the following percentages are provided based only on fourth quarter compliance with the revised indexing measure.

During the fourth quarter of FY01 **the objective of daily input was performed** as follows against a target of 100%:

UCC Central 97%; Fairbanks 95%; Ketchikan 92%; Bethel 92%; Sitka 98%; Anchorage 27%; Palmer 86%; Kenai 97%; and Homer 97%;

Meeting the target were: Juneau 100%; Nome 100%; and Kodiak 100%.

During the fourth quarter of FY01 **the objective of weekly verification completion** was performed as follows against a target of 100%:

Bethel 98%; Nome 97%; and Anchorage 98%;

Meeting the target were: UCC Central 100%; Fairbanks 100%; Juneau 100%; Ketchikan 100%; Sitka 100%; Palmer 100%; Kenai 100%; Homer 100%; and Kodiak 100%.

Benchmark Comparisons:

Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology.

Background and Strategies:

In order to provide the greatest service to the public, indexing of the public record information needs to be fully complete at the end of each business day. Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology. Our new indexing system implemented in 1999 allows indexing information to be made available to the public upon input (our prior system did not contain this feature). The Anchorage office has had the most difficulty meeting the daily input standard due to near record high recording volumes.

A new indexing system implemented in 1999 enabled the component to resolve the massive indexing backlogs that had accrued under the prior system while still processing incoming work at peak levels. Throughout FY00 and FY01, significant improvement occurred in meeting this performance objective. Factors preventing 100 percent compliance in all locations included near record recording volumes, staff shortages, late day recordings, lengthy legal descriptions, communication line problems, heavy customer traffic, and late mail deliveries. While the component has no control over the volume of incoming work, it will continue to strive for improvements in this area.

Measure:

Information Resource Management - The percentage of time the computer systems are unable to support the annual volume of land and recorded transactions.

Sec 108(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

System availability was at an all time high. The system was available during normal business hours 99.75 % of the time. Unscheduled outages for transaction processing resulted in less than a quarter of a percent of downtime due to internal DNR network issues. Outages resulting from issues related to the Dept. of Administration Wide Area Network were more common but outside DNR control. Overall system downtime was minimized. Scheduled downtimes for maintenance typically occur on Saturdays with little or no impact to staff.

Benchmark Comparisons:

The benchmark represents a three-year average for transactions for both LAS and the Recorders Office.

Revenue and Billing transactions are ~ 220,000

Land Administration System transactions - 100,000, of which 18,000 require status plat updates.

Transactions can be for:

Land Titles, classifications, Surveys, Land sales, leases, home sites, easements, Rights-of-Way, Municipal Entitlements, Mining Claims & leases, Oil & Gas Leases, Timber Sales, Water Rights, RS2477, receipts for a variety of programs, etc.

Background and Strategies:

Automation in high transaction environments is highly cost effective. Information Resource Management (IRM's) strategy is to reduce update cycle time by sharing information between historically isolated systems and to continue to reduce operating costs. Significant operational gains were made by linking recording, LAS, and platting systems for mining applications.

Measure:

Recorder's Office - Maintain return of original documents to the public within 30 days of recording.

Alaska's Target & Progress:

During the fourth quarter of FY01, this performance objective was met 100% of the time in Kenai, Homer, Kodiak, Juneau and Sitka. Fairbanks was in compliance 84% of the time; Ketchikan 98%; Anchorage 41%; Palmer 67%; Nome 94% and Bethel 92%. Severe staff shortages in various locations severely hampered the component's ability to maintain currency in this function.

With turnaround times frequently exceeding 2 to 3 months, the component's recording offices have one of the worst delays in the nation in returning original documents. While much of this can be attributed to mail delays and to the logistics of operating remote facilities in the largest state in the nation, the fact is that even a 30 day turnaround time is one of the worst delays in the nation.

Benchmark Comparisons:

We estimate that the national norm for returning original documents is two weeks.

Background and Strategies:

Up to a quarter million documents are returned by the component to its customers each year. A document recording transaction cannot be considered complete until the document has been returned from the recording office. Return of the document is positive proof that the recording has occurred, and serves as the source of information that is required in the case of mortgages and deeds of trust for assignment and release of the security interest in the future. More and more loans are being sold on the secondary market, and the numbers of out of state lenders are increasing. Delays in returning original documents to them can cause them considerable expense and delays in their own operations.

Technology holds the key to making improvements in meeting this performance measure. With imaging technology, the original documents could frequently be returned immediately to the customer upon recording. Absent improvements in technology, or additional staffing to handle these backlogs, the component will likely continue to accrue unmanageable backlogs in this function.

Measure:

Recorder's Office - Maintain record search completion time of 24 to 48 hours from the time of receipt of request.

Alaska's Target & Progress:

By the end of the fourth quarter of FY01, this objective was being met 100% of the time by; Palmer; Kenai; Kodiak; Homer; Bethel; Nome; Juneau; Sitka; 98% by Fairbanks; 91% by Ketchikan; 80% by Anchorage; and 59% by UCC Central.

The difficulty in meeting this objective in UCC Central and in Anchorage was due primarily to the surge in search activity that occurred at the end of FY01 just prior to implementation of the new UCC laws in July.

Benchmark Comparisons:

Completion and certification of Uniform Commercial Code search results is a statutorily required function. Searches cannot be prepared and certified until prior day indexing has been completed. A 48-hour turnaround on searches is the national standard utilized in most recording/filing offices throughout the country.

Background and Strategies:

Searches fall into a backlog status after 48 hours. Whenever indexing delays exceed that time frame, the component is unable to prepare and certify search results. With the implementation of the new indexing system in January 1999, the component was able to report considerable improvement in meeting this objective. Since searches are tied to the indexing function, failure to complete daily indexing automatically results in delays of search products. While the component has no control over the volume of incoming work, it will continue to work toward improvements in meeting this performance measure.

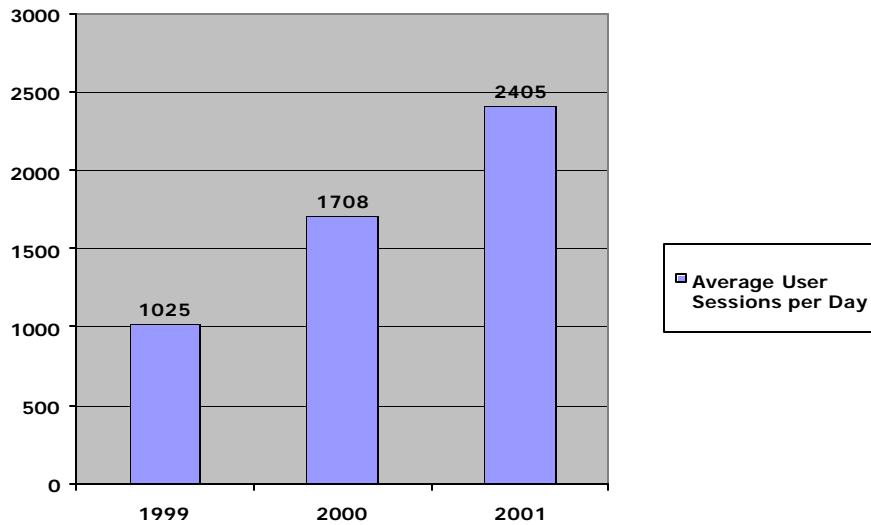
Measure:

Information Resource Management - 10% increase of public use of Department home pages on the Internet.

Alaska's Target & Progress:

Results: This goal was exceeded - growth in total web site usage jumped 40% in the past fiscal year, and more than 134% in two years time.

Growth in DNR Web Site Usage
1999-2001

**Benchmark Comparisons:**

FY00-01 DNR Internet Web Statistics show average daily visits have grown from 1025 in July 1999, to 1708 visits / day in July 2000, to 2405 visits per day in July 2001. Clearly more people are deriving services on-line from DNR, which saves staff time and raises the overall service level of the department.

Background and Strategies:

As Internet information systems expand we expect increased ability by the public to fulfill their information and business transaction needs by interacting directly with DNR information systems and not DNR staff. This approach will save the Department time and effort and provide convenience to our customers.

Information/Data Management
BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
Recorder's Office/UCC	2,425.9	0.0	67.4	2,493.3	0.0	0.0	2,467.2	2,467.2	0.0	0.0	3,045.8	3,045.8
Information Resource Mgmt.	1,677.1	58.4	378.9	2,114.4	1,657.4	30.6	589.9	2,277.9	1,686.8	230.9	601.8	2,519.5
Interdept. DP Chargeback	465.8	0.0	306.8	772.6	541.3	0.0	264.9	806.2	545.8	0.0	286.9	832.7
Totals	4,568.8	58.4	753.1	5,380.3	2,198.7	30.6	3,322.0	5,551.3	2,232.6	230.9	3,934.5	6,398.0

Information/Data Management

Proposed Changes in Levels of Service for FY2003

See specific information at component levels.

Information/Data Management

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	2,198.7	30.6	3,322.0	5,551.3
Adjustments which will continue current level of service:				
-Recorder's Office/UCC	0.0	0.0	52.4	52.4
-Information Resource Mgmt.	29.4	0.3	11.9	41.6
-Interdept. DP Chargeback	4.5	0.0	2.0	6.5
Proposed budget increases:				
-Recorder's Office/UCC	0.0	0.0	526.2	526.2
-Information Resource Mgmt.	0.0	200.0	0.0	200.0
-Interdept. DP Chargeback	0.0	0.0	20.0	20.0
FY2003 Governor	2,232.6	230.9	3,934.5	6,398.0

Component: Recorder's Office/Uniform Commercial Code

Contact: Sharon Young, State Recorder

Tel: (907) 269-8882 **Fax:** (907) 269-8912 **E-mail:** sharony@dnr.state.ak.us

Component Mission

To provide and maintain a secure and impartial place of record for legal documents affecting real and personal property in the manner prescribed by Alaska law and to protect, preserve and enhance the permanent public record for the benefit of present and future generations.

Component Services Provided

The primary public services provided by the Recorder's/UCC component are mandated by statute and include the following:

- (1) examination, recording/filing, processing and return of original documents in the manner prescribed by law;
- (2) provide secure storage and preservation of all recorded/filed documents as the official public record of the State;
- (3) maintenance and updating of accurate and current grantor/grantee and location indices to facilitate ready retrieval of documents from the public record;
- (4) providing record searches and copies of recorded and filed Uniform Commercial Code documents upon user's written request; and
- (5) administration of recording/filing services and maintenance of public libraries of recorded and filed documents in fourteen rural and urban locations, serving 34 recording districts throughout Alaska.

Component Goals and Strategies

Maintenance of an accurate and sound recording system is an essential part of meeting the departmental missions and the Governor's priorities. The component's principal operational goal for FY03 is to provide excellent public service to the fourteen rural and urban communities it serves in the reception, recordation and permanent storage of documents affecting real property in the State of Alaska and in the operation of the Uniform Commercial Code (UCC) central file system for Alaska. The component is fully funded by receipt supported services and routinely generates more than \$1 million in excess of its requisite operating funding annually. The component processes more than 200,000 documents annually. Its workload is volume driven by external factors completely beyond its ability to control. The component's principal goals for FY03 include expansion of an imaging system to all recording offices statewide, and implementation of electronic filing of UCC documents in Alaska.

Key Component Issues for FY2002 – 2003

- 1) Web access to index and documents. Use web search to replace mainframe as primary research tool in all recording offices.
- 2) Implementation of electronic filing of UCC documents.
- 3) Implementation of Uniform Commercial Code Revised Article 9 - HB239.
- 4) Absorb frontline processing for three (3) remaining court facilities.
- 5) Continue expansion of imaging applications to remaining recording offices.
- 6) Implement acceptance of mining claim rental payments in recording offices so as to expedite updating of department's status plats.
- 7) Revamp classification structure to address technological changes affecting staff functions.
- 8) Filming/preservation issues as addressed in Ombudsman's 1992 investigation -including space management and efficiencies for the public. Continue filming of original historic books so that they can be accessioned to State Archives for permanent storage.
- 9) Full compliance with stated performance measures.
- 10) Streamline processes and improve services to the public.
- 11) Conversion of most recent 3-5 years of film to digital format to facilitate customer research and undertake back indexing of documents recorded prior to 1971.
- 12) Continue addressing stakeholder concerns.
- 13) Address national recording standards and improve quality of data.

Major Component Accomplishments in 2001

FY01 was a significant year for the Recorder's/UCC component in terms of progress and accomplishments. By the beginning of FY02, the component had made the following notable achievements: it became the first state in the nation to provide access to its entire statewide recording index database via the Internet; the first state in the nation to scan recorded and filed documents on a statewide basis; the first state in the nation to make images of statewide recorded documents available for public research in its recording offices, and the first state in the nation to offer digital images of recorded documents in CD format on a statewide or district specific basis.

At the beginning of FY01, the component launched an imaging prototype system in its Fairbanks office. This enabled the state's second largest recording office to scan incoming recorded documents and utilize the scanned images to facilitate customer research. The Fairbanks office also became the first recording office in the state to be able to offer a new service to its customers - purchase of digital document images in daily or weekly CD format. The component's central archives unit acquired new equipment to enable it to scan and film documents simultaneously, an objective that was met beginning in July, 2001.

While the Fairbanks office implemented the new scanning processes into its daily operations, the component began working on bar code technology to replace the cumbersome and time consuming manual time and date stamping processes. The first office to work with the new bar code technology was UCC Central, which initiated the new process in July, at the same time the archives unit began scanning documents statewide for all 34 recording districts and UCC Central. By the end of the first quarter of FY02, the state's three largest recording offices had converted to bar code technology, representing a total of seventeen of the 34 recording districts. Remaining districts are being phased in during FY02.

Another significant accomplishment during the year was the implementation of the new UCC legislation beginning in July 2001. This legislation brought massive changes to the UCC filing processes in Alaska, and the component expended a vast amount of time relative to the implementation of the changes, preparation of a regulations package, and education of the public users and staff. The legislation served to streamline the filing process in Alaska and make it more consistent with that in all other states.

Another accomplishment was the completion of the preliminary research and drafting of class specifications and position descriptions for all positions in the component's job class for purposes of a classification study addressing changes in job functions as a result of technological changes. Additionally, the component moved to receipt supported services in FY02 (as a result of passage of HB108) to provide more stable funding for the component and ensure that the fees paid by its users are utilized to fund the program costs in their entirety.

Statutory and Regulatory Authority

STATUTORY/REGULATORY CITATIONS

(and various other statutes under 19 titles that affect recording and filing)

AS 37.05
AS 40.17
AS 44.37
AS 45.29
11 AAC 05, 06

Recorder's Office/Uniform Commercial Code

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,027.5	2,065.7	2,358.1
72000 Travel	21.8	11.8	15.8
73000 Contractual	289.6	302.3	579.5
74000 Supplies	71.0	47.4	52.4
75000 Equipment	83.4	40.0	40.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,493.3	2,467.2	3,045.8
Funding Sources:			
1005 General Fund/Program Receipts	2,425.9	0.0	0.0
1053 Investment Loss Trust Fund	67.4	0.0	0.0
1156 Receipt Supported Services	0.0	2,467.2	3,045.8
Funding Totals	2,493.3	2,467.2	3,045.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	1,561.5	0.0	0.0	0.0	0.0
Receipt Supported Services	51073	0.0	1,600.0	2,048.6	1,380.0	1,380.0
Unrestricted Total		1,561.5	1,600.0	2,048.6	1,380.0	1,380.0
Restricted Revenues						
General Fund Program Receipts	51060	2,425.9	0.0	0.0	0.0	0.0
Receipt Supported Services	51073	0.0	2,467.2	2,467.2	3,045.8	3,045.8
Restricted Total		2,425.9	2,467.2	2,467.2	3,045.8	3,045.8
Total Estimated Revenues		3,987.4	4,067.2	4,515.8	4,425.8	4,425.8

Recorder's Office/Uniform Commercial Code

Proposed Changes in Levels of Service for FY2003

There are four (4) budget related changes to our service level for FY03: (1) absorbing recording functions currently performed in three magistrate offices; (2) addition of one database administrator/IT support person; (3) inclusion of facilities rent in the component operating budget; and (4) inclusion of the implementation of classification of the Recorder series. Additionally we foresee a number of customer service improvements during FY03 that are not directly tied to increment requests. These include providing electronic filing of UCC documents, and allowing mining customers to pay claim rental payments in recording offices. We also hope to expand the internet research capabilities with document images so that customers can access them from off site locations on a 24-hour basis.

Court System Functions

Currently, eleven recording offices are maintained and operated by DNR and three are maintained and operated by the Alaska Court System pursuant to AS 44.37.025(c) which provides that the department, "with the concurrence of the administrative director of courts, may appoint judicial employees to perform services in connection with recording, providing access to, and copying documents in locations where the department has not otherwise designated a public office to perform those functions." The three court offices are located in Seward, Valdez and Glennallen, covering the Seward, Valdez and Chitina recording districts.

Over the years, there have been many workload conflicts between judicial duties and recording duties in these offices. Although the court offices' recording duties are limited to document intake and recording, there are a number of factors that have prompted the Alaska Court System and DNR to reexamine this relationship. For example, the court offices are not always able to consistently follow established recording procedures. Further, due to the priority given to judicial duties, the courts do not always process documents on the same day they are received, a statutory mandate required of all recorders; in the past, this delay has contributed to abandonment of mining claims or other deleterious effects for customers in the court recording districts. Because the court offices do not forward recorded documents to DNR for processing in a timely manner, the component is unable to meet its established missions and measures, specifically the legislative mandate to ensure that documents are input on a daily basis and verified on at least a weekly basis. As a result of these delays, information in these districts does not get indexed in a prompt manner and therefore is not available to the public in the same manner that it is for other recording offices. The court offices also lack public access terminals and customers must resort to computer output microfiche or film records for research purposes. When court employees go on leave, document processing may be delayed.

Clearly this dual agency handling of recording functions and lack of priority attention to recording duties in these three locations results in a lower level of service to customers than is provided in other recording facilities. The court system has indicated it is finding it harder and harder to perform these functions while maintaining its primary court functions. DNR believes that recording must be a core primary function in all office locations in order to serve all customers equally. The Recorder's Office component believes it is now in a position to assume these duties with a minimum of disruption to the public. There are two possible options to consider: (1) change the place of recording for these districts and bring the full processing function into DNR district recording offices in Palmer and in Kenai; or (2) continue to operate outlying offices by furnishing facilities, staff and operating funding. Changing the place of recording would be least costly (requiring the addition of two part-time employees), and is what the increment in the Governor's budget is based on. The Recorder's Office will work closely with the banking and title industries and other affected users to determine the most appropriate approach.

Either processing option would be beneficial for both the public and for recording operations in general. Recording would then be a primary function in the three court districts (rather than a secondary function), and customers with documents to record would be able to get optimal service in a timely manner. Processing procedures would be consistent and updates and changes to procedures would be implemented more efficiently. Technological advancements and improvements to customer service research would be consistent in all offices and customers would have the full benefit of equal services including library equipment, public access databases, and knowledgeable staff located in the district offices. The integrity of the public record is at stake when processing is inconsistently handled in different recording offices. Absorbing the recording functions for these districts would allow the Recorder's Office to fully perform its mission of providing a secure, impartial place of record for all documents affecting real property in Alaska.

Database Administrator/IT Support

The component is seeking one (1) new fee supported position for database support in FY03. With a wide variety of search options and upwards of twenty-five million records posted on its internet search pages, the component can ill

afford to sustain downtime in that phase of its operations. Customer usage of the new research capabilities is continuing to grow and it is important to maintain the web site and explore other features to benefit our customers. To date the component has had to compete with large divisions within the department for limited database support. A full-time database support position will provide an immediate benefit to the component and the public by enabling the component to rapidly meet ongoing database system design and maintenance needs and provide enhancements for the web databases available to the public on a 24 hour basis. This position will also provide the requisite programming to maintain electronic filing services in the UCC Central office.

Facilities Rent

The transition to receipt supported services in FY02 has given the component the ability to ensure that the fees paid by its customers fully fund the component operations including such costs as facilities rent which had been funded in the Department of Administrations (DOA) general fund budget and not previously included in this component's annual operating budget. The component estimates that the FY03 increment for facilities rent will be \$266.2 to cover lease expense in the following locations: Fairbanks, Nome, Bethel, Kenai, Homer, Palmer, Sitka, Juneau and Anchorage. Currently Kodiak and Ketchikan offices are housed in court facilities at no cost to DNR.

Classification of Recorder Series

The Recorder series of classification had not been updated since 1989, at which time only changes in position titles and modification of minimum qualifications were made. No position reallocations resulted from that review. The request for a classification update of the entire series started in May of 2000, primarily due to the fact that the Recorder's Office was experiencing difficulties in recruiting and retention of staff at the current levels. The Recorder's Office worked with the DNR Human Resource staff to have the project completed by July 1, 2001. Initial findings were that range increases were justified when the positions were compared with similar customer service positions like the Permanent Fund Dividend Technicians and Motor Vehicle Service Representatives. In November 2001 DOA verbally approved an increase of at least one salary range for all positions from Recorder I through Recorder Manager. The approved increases were based on such factors as:

- Consequence of error
- Complexity in duties
- Changes in technology
- Changes in UCC and Recording requirements.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	2,467.2	2,467.2
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	52.4	52.4
Proposed budget increases:				
-Assume Recording Functions from Court Offices in Glennallen, Seward, and Valdez	0.0	0.0	60.0	60.0
-Facilities Rent for the Recorder Offices	0.0	0.0	266.2	266.2
-Database Administrator and Information Technology Support	0.0	0.0	80.0	80.0
-Classification of the Recorder's	0.0	0.0	120.0	120.0

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
Series - State Internal Alignment				
FY2003 Governor	0.0	0.0	3,045.8	3,045.8

Recorder's Office/Uniform Commercial Code

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	43	44	Annual Salaries	1,742,403
Part-time	5	7	COLA	40,710
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	716,147
			<i>Less 5.65% Vacancy Factor</i>	(141,160)
			Lump Sum Premium Pay	0
Totals	48	51	Total Personal Services	2,358,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Analyst/Programmer IV	1	0	0	0	1
Recorder I	2	1	1	5	9
Recorder II	11	5	1	8	25
Recorder III	0	0	1	3	4
Recorder IV	1	1	0	0	2
Recorder Mgr	2	0	1	0	3
Recorder Technician	4	0	0	0	4
Recorder Technician Supervisor	1	0	0	0	1
State Recorder	1	0	0	0	1
Totals	24	7	4	16	51

Component: Information Resource Management

Contact: Richard McMahon, Data Processing Manager

Tel: (907) 269-8833 **Fax:** (907) 269-8920 **E-mail:** Richard_McMahon@dnr.state.ak.us

Component Mission

To provide data processing services and graphic land records to the Department of Natural Resources, and to assure public access to information.

Component Services Provided

The Information Resource Management (IRM) component provides several primary services for the public, the department, other government agencies, and the private sector:

1. This component creates and maintains the state graphic land record, the Status Plat. There about 20,000 plats that depict the state's land ownership, and the history of actions taken that affect that ownership position. The public can now easily access these land records via the Internet at <http://dnr.state.ak.us/landrecords>. Land records constantly change as the department does business with the public and makes decisions effecting land management activity. These changes are captured on the state Status Plats. Annual updates range between 15,000-30,000 depending on activity levels. The plats portray state land ownership, classification, disposals, right-of-ways, trust lands, and disposition of property rights.
2. The IRM Component creates and maintains the department's resource transaction and revenue receipting system; the Land Administration System (LAS). This mainframe computer system is the primary means for DNR to track the status of an individual case-file through the adjudication process, and for assuring timely management of billing, receipting, and distribution of DNR revenues. Customers include major industry groups for Oil and Gas and Mining, as well thousands of Alaskans working with DNR to help develop the state and its resources. IRM also designed and supports the computer system used by the State Recorder's Office to index and image public property records. About 200,000 legal documents are recorded each year in this statewide system.
3. The IRM Component provides computer programming, resource analysis, inventory mapping, and database management through Geographic Information Systems, or GIS. Alaska's vast geographic expanse requires the application of mapping systems to inventory and monitor key resources. GIS applications support strategic decision making by combining a wide variety of information sources and presenting scenarios to policy makers and land managers. The GIS Unit provides support and training to several department wide GIS user projects, especially those located in Mining, Land and Water; Geological Survey; and Forestry. The GIS Unit is responsible for the computer system that operates the automated Status Plat System used by Status Graphics Staff. The public receives an important service through the GIS Public Access program which assures data and maps are available.
4. The IRM component provides the management environment for the staff of department's statewide telecommunications and computer network. These staff provide computer and networking support to all DNR offices. Computer and network services costs are now consolidated under the Data Processing Chargeback Component where Local Area Network costs are now combined with the Dept. of Administration Wide Area Network costs.

Component Goals and Strategies

A primary DNR strategy is to offer the public efficient services. The Information Resource Management (IRM) Component undertakes technology projects to support the highest priority business applications in the department. The central management of DNR Information Technology staff assures successful integration of systems. IRM systems make a direct difference with the public, whether they are major industry groups, such as the Mining Industry, or individual Alaskans who need to work with DNR. IRM is organized into four units:

Business Programming:

Key Product: Information Systems

Manager: John Cacy, Analyst Programmer V ph: 269-8827
Web Sites: <http://www.dnr.state.ak.us/ssd/recoff/search.cfm>
Recorder's Office System - statewide, on-line
<http://nutmeg.state.ak.us/ixpress/dnr/case/lasmenu.dml>
Search DNR business database, make credit card payments

Goal 1. Re-program the DNR Land Administration System (LAS).

Outcomes: This goal delivers updates to current DNR computer systems. Part of the updates will come by extending the present mainframe system to include 'windows' based input screens, and flexible reporting screens using web screen formats. This goal also envisions building new sub-systems using Oracle relational database. The Oracle and mainframe systems will exchange information. DNR business systems must assure timely and efficient transfer of receipts to the general fund, Permanent Fund, and other funds as required by law.

Goal 2. Expand Document Imaging System – complete implementation of State Recorder's Office document management system, offer Internet access to Recorder's Office indexing system. Move Uniform Commercial Code (UCC) filings to a paperless system per recently adopted Alaska statutes. Work with Oil and Gas on document management system for royalty processing.

Outcomes: Improved customer satisfaction, efficient internal operations, and elimination of duplicate key entry strokes between related systems.

Goal 3. Expand Electronic Data Interface (EDI) filings by the oil and gas industry for Royalty and Operator Reports for Oil & Gas Leases. Build digital signature system to automate lease assignments managed by the Division of Oil & Gas.

Outcomes: Raise quality of state records by eliminating thousands of redundant keystrokes, speed analysis of royalty reporting, and strengthen support for state oil and gas auditors. Reduce costs of processing lease assignments for both industry and state.

Status Graphics:

Key Product: State Status Plat <http://www.dnr.state.ak.us/landrecords>
Manager: Duncan Purvis, Natural Resource Manager II 269-8832

Goal 1. Reduce four-month turn around time for 15,000 pending actions against Arc Townships to two months. Focus on streamlining business process. Improve update methods used to provide integrated access to matching federal land records. Incorporate electronic updates from user community. Accomplish this goal with HALF the staff used for this job ten years ago – a direct payoff from automation worth about \$650,000.00 per year in savings.

Outcomes: Satisfied customers at minimum costs, current land records save staff time and effort, public land record is more reliable, Internet accessible to all.

Goal 2. Reduce 45-day turn around time for mining claim and prospecting sites updates to 30 days, formerly an eight-month to twelve-month process before automation.

Outcomes: Current and reliable mining property records support the growth of Alaska's \$1billion per year industry.

Goal 3. Continue to Automate Remaining Mylar based townships.

Outcome: lower cost of future updates, more flexibility for staff to access land status information using a geographic information system.

Geographic Information Systems:

Key Products: Geo-spatial information systems
Manager: Sean Weems, Analyst Programmer V 269-8847
Main Web Sites:
<http://www.asgdc.state.ak.us/> Public Spatial Data Systems
http://www.dnr.state.ak.us/lris/gis_maplib/maplib_start.cfm Maps On-line
http://www.dnr.state.ak.us/ssd/lris/gis/mcis_p0/index.cfm Mining Claims

Goal 1. Convert legacy geo-spatial data formats to new GIS database using relational database technology. Deliver on tasks defined by the Core GIS Project.

Outcome: Improves DNR ability to maintain public land records, creates one seamless database, expands public access to land information, make state status plat easier to understand, offers on-line GIS capability, provides the state with an opportunity for expansion to State of Alaska enterprise GIS system. GIS also maintains the landrecords web site that delivers the current state and federal plats and surveys (see Status Graphics).

Goal 2. Integrate the department's tabular databases with DNR's spatial systems - build Oracle GIS system that accesses business systems information.

Outcome: Information becomes more accessible via Internet, records are more consistent, and customers' applications for permits and leases can be processed faster.

Goal 3. Collaborate with federal, native and local agencies to build statewide digital access to land records information: Deliver on tasks defined by interagency Cadastral Project.

Outcomes: Information will be shared between local, state, native, and federal land record systems. DNR staff will take the next steps toward building integrated view of land ownership information needed for land management decisions and case adjudication. Less DNR staff time will be spent collecting essential information on land ownership, making permitting and case adjudication more efficient. Local governments will benefit from electronic delivery of information from the State Recorder's Office. State, federal, and local survey systems will be better coordinated at a technical level. This project overlaps with Business Programming Unit.

Goal 4. Expand use and knowledge of GIS and remote sensing within the department.

Work with the Division of Forestry per the contractual terms of the NASA grant administered under the NASA State, Local, and Tribal program. Begin to incorporate ortho-imagery as the basemap for land status and resource management overlay information.

Computer Information Center: (see also Data Processing Chargeback Component)

Key Products: DNR Computing Infrastructure, Computer Networks

Manager: Brian Heise, Data Processing Manager I, 269-8861

Main Web Sites: -(mostly internal web sites for DNR customers self-help)

Provides hardware & software environment for main DNR web server: <http://www.dnr.state.ak.us>

Goal 1. Manage Information Technology resources as a department asset - control costs, maximize sharing on over 950 networked devices.

Outcome: The physical plant of computers, networks, and software remains current and operational to meet DNR staff needs and public access requirements

Goal 2. Minimize network costs to Dept. of Administration with efficient design and deployment.

Outcome: Strong network architecture and minimized components reduces operating costs for DNR and DOA.

Key Component Issues for FY2002 – 2003

Today's society demands that we bring DNR's data base records, maps, and documents to the desktops of resource managers and staff; and to make our systems generally more open and available to the public. These rising expectations require using technology in a way that is cost effective, secure, and reliable. Budget declines have forced DNR to reduce staffing, and thus increase average workloads. Productivity per staff has risen because of streamlined procedures and better technologies such as email and Internet. Further gains in productivity for DNR staff are possible by raising the quality of technology used to deliver essential services, and decreasing the amount of time staff need to answer basic questions about land use regarding applications, permits, leases, land sales, water rights and so on. DNR staff require high volumes of information from a wide range of sources to successfully process applications and plan land management activities. The IRM component is a strategic partner with all DNR staff as we try to offer the highest quality information systems in support of our mission.

Our major issue for FY03 is with the central data processing system, the Land Administration System (LAS). A rewrite (through CIP funding) of the Land Administration Legacy System is essential and long overdue. LAS is the primary means for entering and accessing land and resource information related to case files for all of the DNR employees. This project is being initiated in FY02.

A second issue is the integration of recording, mining, and land records data bases addressed in FY2001 and FY2002. Driven by the need to greatly improve the manner in which mining property rights are managed and tracked, this issue brings federal funds to a solution that benefits the public who rely upon state and federal land records to determine land status. This project puts the customer's perspective ahead of any specific agency agenda, and works to deliver information that bridges historically isolated information systems.

A third key issue is regarding the maintenance of our land status plats. Cutbacks and rising costs have reduced staffing to point we cannot maintain the public graphic land record to the expected standard. An increment request for FY02 was denied by the legislature. To prevent an increased backlog, managers worked to realign budgets after alternative funding sources were identified. A cartographer was hired to focus on the mining claims. Today progress is steady toward reducing the total backlog of work which has seen a 30% improvement over this time last year.

A more detailed view of the issues comes from taking a more technical view. The key technical challenges for the IRM Component are in three main areas:

Transaction Processing

- Moving DNR toward a "paperless office" - introduce operational efficiencies with document systems. DNR has many initial successes in this area.
- Re-designing business processes, especially those that cross organizational boundaries.
- Incorporating spatial updates to the transaction processing system (no minor feat).
- Linking Mainframe ADABAS systems to the Internet - a common need for several departments.
- Expanding business transaction services over the Internet (payments, applications, cabin rentals, etc.); teaming with DOA-ITG for portal services.
- Using automation to improve public notice, review, and comment process, reduce processing time.
- Putting DNR permit information on line, including applications and status information.
- Taking steps to advance to an integrated relational database system linking transaction, spatial, documents, and images.

Land Records / Geographic Information Systems

- Moving GIS to relational database and introduce parcel management system.
- Reducing the time required to update status plats, direct links between geo-spatial and transaction processing systems.
- Complete the integration of state and federal land records via web programming, use a customer-centric design.
- Building a common database for the land record system; finish plat conversion effort.
- Acquiring statewide high-resolution digital elevation model and digital orthophoto image basemap for state, and local use.
- Expanding on-line access to USGS topographic maps with ability to add-in DNR specific information.

Data Management

- Offering on-line search capability for staff and the public to find information. Alaska Framework - databases from USGS needs to be made available to DNR.

Major Component Accomplishments in 2001

1. Expanded free public web site for on-line access to our State Status Plats & Survey by including tens of thousands of federal land records needed by DNR staff. See <http://www.dnr.state.ak.us/landrecords>
2. Expanded operational efficiencies in the Recorder's Office and Uniform Commercial Code (UCC) Systems by introducing real-time Internet access to index database, and new document imaging-bar code system. July 2, 2001 start date for imaging. See:
<http://www.dnr.state.ak.us/ssd/recoff/search.cfm>
<http://www.dnr.state.ak.us/ssd/ucc/search.cfm>
3. Completed Mining Claims System by updating over 6000 mining prospecting sites, and placing current sites on the DNR status plat using automated mapping. Greatly streamlines old methods - Links DNR Land Administration System to use input from Recorder's Office System for Mining Claims and Prospecting Sites. Eliminated backlog of several thousand prospecting sites and claims by radically boosting worker productivity. First time publication of federal claim locations (long needed by DNR). See:

http://www.dnr.state.ak.us/ssd/lris/gis/mcisc_p0/index.cfm

4. Expanded Enterprise Email System Services to DNR staff with new on-line help screens, deployment of enterprise Calendar System (Corporate Time), new virus screening systems deployed to minimize disruption.
5. Expanded the electronic Oil & Gas Royalty Reporting system to new leaseholders using electronic data interchange standards (EDI), strengthened DNR's ability to process Oil and Gas royalty payments with process improvements to royalty-in-value and royalty-in-kind accounting system.
6. Distributed hundreds of maps to the public and DNR staff displaying project specific information related to land transfers, land sales, acquisitions, fire support, forest health, forest practices, mineral development, etc. Maps are now available on-line.
7. DNR adopted a formal internal policy requiring federal metadata standards be applied to geo-spatial source files which significantly advances the goal of finding and sharing essential geographic information.
8. Public Access program has major advances via Web Site development, & user training, see <http://www.asgdc.state.ak.us> for updates, special attention focused on joint federal-state mining claim information system.
9. Trained over 150 DNR staff on Status Plat Interpretation Class and Introduction to DNR Information Systems Class— highest marks ever.
10. Strengthened the Technical Workforce: successfully recruited network technicians, analyst programmers, and cartographers.
11. Updated and maintained ownership maps and status plats on over 106 million acres of state entitlement lands, processed over 30,000 updates to the status plat, with about 40% of those coming from automated systems which lowers the total cost.
12. Provided systems for billing, accounting, and receipting of department generated revenue, \$1.0 Billion + in FY01 distributed to public funds.

Statutory and Regulatory Authority

This component operates under Alaska Statutes, 38.05.020; 38.05.035; 38.04.065; 41.08.030; 38.05.030; 09.25.115; 41.08.020; 40.21.060; 37.14.425; 09.25.120; 41.08.035; and Alaska Administrative Codes, 6AAC Chapter 96; 11AAC 05.010.

Information Resource Management

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,799.0	1,943.5	2,082.6
72000 Travel	4.1	7.0	10.2
73000 Contractual	149.6	204.3	298.3
74000 Supplies	157.0	123.1	128.4
75000 Equipment	4.7	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,114.4	2,277.9	2,519.5
Funding Sources:			
1002 Federal Receipts	58.4	30.6	230.9
1004 General Fund Receipts	1,657.5	1,606.2	1,635.1
1005 General Fund/Program Receipts	19.6	51.2	51.7
1007 Inter-Agency Receipts	216.6	153.7	157.4
1053 Investment Loss Trust Fund	8.0	0.0	0.0
1055 Inter-agency/Oil & Hazardous Waste	0.0	30.3	30.9
1061 Capital Improvement Project Receipts	151.6	405.9	413.5
1108 Statutory Designated Program Receipts	2.7	0.0	0.0
Funding Totals	2,114.4	2,277.9	2,519.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
General Fund Program Receipts	51060	6.6	0.0	0.0	0.0	0.0
Unrestricted Total		6.6	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Federal Receipts	51010	58.4	30.6	30.6	230.9	200.0
Interagency Receipts	51015	216.6	153.7	195.0	157.4	157.4
General Fund Program Receipts	51060	19.6	51.2	51.2	51.7	51.7
Statutory Designated Program Receipts	51063	2.7	0.0	0.0	0.0	0.0
Capital Improvement Project Receipts	51200	151.6	405.9	445.9	413.5	413.5
Interagency Recs./Oil & Hazardous Waste	51395	0.0	30.3	30.0	30.9	30.9
Restricted Total		448.9	671.7	752.7	884.4	853.5

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Total Estimated Revenues		455.5	671.7	752.7	884.4	853.5

Information Resource Management

Proposed Changes in Levels of Service for FY2003

Several important changes to the Information Resource Management Component are proposed for Fiscal Year 2003.

- Integrated Data Framework Federal Contract - \$200.0 Federal Receipts (Increment)

DNR entered into a contract which will assure that portions of the DNR and federal BLM record systems are designed to be integrated via Internet technologies. This effort builds upon the last several years of successful collaboration between BLM and DNR to extend public access to land and survey plats. The work will set technical standards for shared web sites developed under federal funding.

Capital Project Deliverables

- The FY02 capital project "Land Administration System Update for Improved Access" to update the DNR legacy mainframe transaction system will move into year 2. We face several large-scale challenges to create an enterprise system that is good for the public and our employees. Key deliverables will focus on raising the productivity of DNR staff that process permits and applications and improve access to our database by the public.

- The federally funded capital project "Minerals-Information-At-Risk Project" is designed to assure minerals databases and mining related record systems are brought forward using modern technologies. The IRM Component has teamed with the Bureau of Land Management to deliver a Mining Claim Information System that will provide the mining public with a combined view of land status regarding both state and federal mining claims, mineral surveys, prospecting sites, and other land status records that effect mining. There are four primary project areas: on-line land plats, reducing the cycle time for mining records updates between related systems; providing document imaging systems for recorded mining documents; and building a mapping system to show land status information with geological information. This is a multi-year project and the FY03 emphasis will be on building a single integrated land and mineral property database using the state parcel database as the foundation. This is a major move into relational database technology for spatial systems. The Division of Geological and Geophysical Survey is a partner under this program.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,657.4	30.6	589.9	2,277.9
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	29.4	0.3	11.9	41.6
Proposed budget increases:				
-Integrated Data Framework Federal Contract	0.0	200.0	0.0	200.0
FY2003 Governor	1,686.8	230.9	601.8	2,519.5

Information Resource Management

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	30	30	Annual Salaries	1,558,349
Part-time	0	0	COLA	35,258
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	549,551
			<i>Less 2.83% Vacancy Factor</i>	(60,558)
			Lump Sum Premium Pay	0
Totals	30	30	Total Personal Services	2,082,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk III	1	0	0	0	1
Administrative Manager I	1	0	0	0	1
Analyst/Programmer II	2	0	0	0	2
Analyst/Programmer III	4	0	0	0	4
Analyst/Programmer IV	7	0	0	0	7
Analyst/Programmer V	3	0	0	0	3
Cartographer II	8	0	0	0	8
Data Processing Mgr III	1	0	0	0	1
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Mgr II	1	0	0	0	1
Natural Resource Tech I	1	0	0	0	1
Totals	30	0	0	0	30

Component: Interdepartmental Data Processing Chargeback

Contact: Richard McMahon, Data Processing Manager

Tel: (907) 269-8833 **Fax:** (907) 269-8920 **E-mail:** Richard_McMahon@dnr.state.ak.us

Component Mission

To guarantee DNR's access to essential computing infrastructure; including the State mainframe systems, the State wide-area-network (WAN), and all of the DNR local area networking, servers, and desktop support systems.

Component Services Provided

Funding from this component is used to secure essential computing and network services for the department. These services enable DNR to:

- Process DNR's land, resource, and revenue tracking activities with automated systems.
- Access DNR servers that provide status plats, royalty accounting computations, GIS maps, database service, Internet web servers, DNR Intranet service.
- Support 978 network devices including PC's, Unix workstations, printers, plotters, switches, routers all sharing a TCP/IP network foundation.
- Transfer information electronically between DNR's statewide operations.
- Access Internet and Intranet web sites to support DNR job requirements.
- Access the state's electronic mail, accounting, and payroll/personnel systems.
- Transfer information electronically between DNR's statewide operations.
- Deliver public commerce solutions with electronic credit card system.
- Access other State computer systems, eg. DOT vehicle inventory system, Public Safety ASPIN system for Park Rangers, and P-card systems.

This project funds usage of the following DNR data processing systems:

Land Administration System (LAS) - The Land Administration System is used to manage nearly 247,000 resource cases covering more than 106,000,000 acres of uplands and 65,000,000 acres of tide and submerged lands.

Recorder's Office System required to process over 600,000 pages in 200,000+ documents.

Revenue and Billing System - This system automates the receipting, accounting, and billing of resource revenues collected by DNR, over \$1 billion in FY00. Support mainframe and web components.

Royalty Accounting System - provides computing resources to process monthly royalty and operator reports, send RIK Invoices, and provide Division of Oil & Gas staff with essential computational and record keeping capability.

Customer Information System - This system tracks present and past ownership of all state resources that are being sold or leased.

Status Plat System - This Unix system produces the State Status Plat. The mainframe tracking system identifies the pending actions affecting state land on more than 9,900 geographic townships. A web server is used to distribute plats and their updates to DNR staff and the public. About 20,000 plat updates were processed last year.

Geographic Information System - provides maps, data, and analysis of issues that are used to support DNR decision-making. GIS products of land ownership and mineral resources are also popular with the public. The system uses PC's, Unix servers, and web servers.

Title Subsystem - tracks the status of land conveyances from the Bureau of Land Management (BLM), and provides automated support to the Title Unit for adjudicating ownership of state lands. Accelerated land conveyance is now a goal of the BLM.

Fire Reporting System - tracks status and resource assignments on forest fires. Provides input to management decision making on fire control.

Component Goals and Strategies

Strategies

To maximize use of cost effective technology to meet DNR mission and expand services to the public; to pay DOA-Information Services Fund our contractual obligation for wide area network services; to deliver local area network services and help desk to all DNR staff in over 30 offices.

Goals

To procure DOA's *computing* services. Department information system staff provides chargeback usage analyses to assure accuracy, detect impacts, project future use, and report mainframe usage to DNR divisions.

Outcome: Staff and the public have ability to run DNR mainframe applications to support business goals.

To procure DOA *network* services. This is the largest cost center of this component. Emphasis is placed on managing this cost center.

Outcome: DNR staff have access to the Wide Area Network, Enterprise Email, Internet, Enterprise Calendar, and State Mainframe.

To procure DNR System Administration Keep DNR servers operational at minimal total cost. Servers are located in Fairbanks, Juneau, Palmer, and Anchorage.

Outcome: Computing services from DNR supported servers are provided to all staff at least cost.

To support DNR Staff at the Computer Desktop Assure local area network aligns with wide area network, assure DNR staff have fully functional desktop and mobile computers with access to DNR information systems.

Outcome: DNR computer users receive technical support via standards and procedures.

Key Component Issues for FY2002 – 2003

The rapidly expanding role of technology within the department has put major demands on the network support staff. DNR supports 978 network device in more than 30 offices, with only 4 (four) full-time people. This staff is complemented by two student interns in Anchorage, and part-time technician positions in Fairbanks and Juneau managed by separate divisions. Overall, DNR technical computer staff perform the work at a staffing level that is at best, half the industry average.

System Administration: This includes work on DNR servers that house our software and data – mission critical applications like email connectivity, Internet, mapping, status plats, user file systems, Geographic Info Systems, data warehouse, and imaging. The short staffing in network services and system administration translates into bottlenecks elsewhere in the organization. Projects are often delayed because they cannot receive essential system support.

Other Challenges include:

Manage rising ITG wide area networking costs. DNR staff are required to use the state network, and the services are many and highly valuable; but the cost is expensive. Before the Internet, \$160.00 / month was paid for a single controller that handled about 40 users on dumb terminals, an average cost of \$4.00 / user / month. Now each user has a bill of \$29.53 per month for their personal computer, and about \$16.00 per month for their portion of shared devices like networked printers, plotters, and scanners, a total of \$45.53 / user / month. This is a jump of about 10 times the cost – during a time when budget support for wide area networking for departments has declined. This forces divisions to pay the difference out of normal operating budgets that were used to support land sales, timber sales, parks management, and all the other DNR business functions. This constrains the department's ability to meet its goals.

· Providing adequate training to DNR staff to take best advantage of gains from automation. Total system costs can be lower by raising the computer skill levels of DNR staff. Inadequate attention to technical training demands by managers and budgets means lost opportunities on applications that go under-utilized. DNR computer training needs strengthening. Training budgets are very limited.

Major Component Accomplishments in 2001

- Maintained DNR mainframe systems costs within budget
- Shared network costs across department budget structures
- Supported over 600 network users with enterprise systems and 978 IP addressable devices.
- Inventoried and documented DNR network devices for ITG rate assessments
- Reviewed DNR purchases of hardware and software against dept. standards
- Installed 66 new computers for the Division of Mining, Land and Water Management in ten day period.
- Hired Microcomputer/Network Technician and Microcomputer/Network Specialist bringing the CIC to full staffing of four full-time permanent employees.
- Received and processed almost 3000 help desk requests through DNR's HelpStar software in FY01.
- Approximately 200 requests were for offices in the Palmer area. The CIC made approximately 10 trips to various offices in the Palmer area. This reduced support needed for Anchorage and Fairbanks staff. Major upgrades for Division of Agriculture completed.
- Setup the networking and computers in the new Palmer Recorder's Office. Provided a seamless transition in services to the public during major move to a new office.
- Supported Palmer Recorder's Office during migration to bar-code and document imaging system with no delays to public services.
- Installed, upgraded, configured DNR's servers and LRIS Unix Workstations with hardware and software to provide more robust environment and infrastructure to DNR's expanding reliance on online, real time data information and processing needs.
- Upgraded the Oracle server with a new system board, memory, processors, and operating system. This is work-expanded use of Oracle as a department wide resource. Working with DOA-ITG and other departments on an Enterprise Oracle model.
- Implemented new filer for serving over 500 gigs of data storage with backup system.
- Assisted with major migration joining historically separated GIS environments, provided underlying system support on key server.
- Setup Cumulus System, an imaging indexing software, server, and hard disk array for mining. Stores field photos and videos from site visits at mining operations, the system is being offered to other DNR offices.
- Start installation and configuration of new backup software and hardware in anticipation of the end of life for the current backup software.
- Support trips to other offices, such as Fairbanks, Palmer Forestry, Palmer Agriculture, Palmer Records Office, Parks Finger Lake office, McGrath Forestry and Kenai Parks for various computer/network support issues.

Statutory and Regulatory Authority

This component operates under AS 44.21.160; AS 09.25.110,115; and 6 AAC Chapter 96.

Interdepartmental Data Processing Chargeback

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	232.4	271.3	297.8
72000 Travel	4.0	3.5	3.5
73000 Contractual	532.7	531.4	531.4
74000 Supplies	3.5	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	772.6	806.2	832.7
Funding Sources:			
1004 General Fund Receipts	465.8	541.3	545.8
1007 Inter-Agency Receipts	305.7	264.9	286.9
1053 Investment Loss Trust Fund	0.8	0.0	0.0
1108 Statutory Designated Program Receipts	0.3	0.0	0.0
Funding Totals	772.6	806.2	832.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	305.7	264.9	264.9	286.9	286.9
Statutory Designated Program Receipts	51063	0.3	0.0	0.0	0.0	0.0
Restricted Total		306.0	264.9	264.9	286.9	286.9
Total Estimated Revenues		306.0	264.9	264.9	286.9	286.9

Interdepartmental Data Processing Chargeback
Proposed Changes in Levels of Service for FY2003

An increment of \$20.0 interagency receipts is needed to offset higher labor costs due to merit increases and to reduce the vacancy factor. This cost will be paid for by network customers.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	541.3	0.0	264.9	806.2
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	4.5	0.0	2.0	6.5
Proposed budget increases:				
-Increase Inter-Agency Receipts to Cover Computer Information Center Personal Services Costs	0.0	0.0	20.0	20.0
FY2003 Governor	545.8	0.0	286.9	832.7

Interdepartmental Data Processing Chargeback

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	4	4	Annual Salaries	223,713
Part-time	0	0	COLA	5,791
Nonpermanent	2	2	Premium Pay	0
			Annual Benefits	74,248
			<i>Less 1.96% Vacancy Factor</i>	(5,952)
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	297,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
College Intern II	2	0	0	0	2
Data Processing Mgr I	1	0	0	0	1
Micro/Network Spec I	2	0	0	0	2
Micro/Network Tech II	1	0	0	0	1
Totals	6	0	0	0	6

Resource Development Budget Request Unit

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

BRU Mission

See specific information at component level.

BRU Services Provided

This BRU contains many disparate functions and each is defined at the component level. See specific information at component level.

BRU Goals and Strategies

See specific information at component level.

Key BRU Issues for FY2002 – 2003

See specific information at component level.

Major BRU Accomplishments in 2001

See specific information at component level.

Key Performance Measures for FY2003

Measure:

EFF Non-emergency Projects - Use of emergency firefighter personnel for non-emergency hazard fuel reduction and habitat improvement projects where funding is available.

Alaska's Target & Progress:

The target is to use emergency firefighter personnel for non-emergency hazard fuel reduction and habitat improvement projects where funding is available.

EFF crews from the Mat/Su and Kenai areas, and the Tazlina Hotshot crew, were utilized during FY01 by cooperating municipal and federal agencies. There is interest by the Municipality of Anchorage and the Kenai Peninsula Borough in using them again in FY03.

Benchmark Comparisons:

No benchmark comparisons because no other states use emergency firefighters for non-emergency projects.

Background and Strategies:

Wildland fire and wildland/urban interface risks can be mitigated through projects that utilize federal, municipal, or other funding while concurrently providing employment and experience to Type II EFF crews. Forestry has used a strategy of using emergency firefighters for non-emergency hazard fuel reduction and habitat improvement projects on the Kenai Peninsula and the Municipality of Anchorage.

Use of trained and experienced village EFF crews and individual EFF for hazard fuel reduction, prescribed fire and other resource management projects supports the Governor's goal of increasing employment opportunities for Alaskans. It also improves wildlife habitat and reduces potential wildland fire threats to the citizens of Alaska, structures and other high value resources.

Utilizing EFF crews for non-emergency hazard fuel reduction and other prescribed fire projects provides opportunities for crews to work together enhancing their skills for wildland fire assignments and provides needed revenue into the rural communities of Alaska.

Resource Development
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Development -	0.0	0.0	530.5	530.5	0.0	0.0	500.0	500.0	0.0	0.0	500.0	500.0
Special												
Projects												
EFF Non-	0.0	0.0	203.5	203.5	0.0	0.0	250.0	250.0	0.0	0.0	250.0	250.0
Emergency												
Projects												
Dev. - Special	999.7	0.0	0.0	999.7	294.3	0.0	0.0	294.3	294.3	0.0	0.0	294.3
Projects -												
Lang												
Mental Health	0.0	0.0	762.1	762.1	0.0	0.0	983.2	983.2	0.0	0.0	983.2	983.2
Lands Admin												
Totals	999.7	0.0	1,496.1	2,495.8	294.3	0.0	1,733.2	2,027.5	294.3	0.0	1,733.2	2,027.5

Resource Development

Proposed Changes in Levels of Service for FY2003

See specific information at component level.

Resource Development

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	294.3	0.0	1,733.2	2,027.5
Adjustments which will continue current level of service:				
-Mental Health Lands Admin	0.0	0.0	20.2	20.2
Proposed budget decreases:				
-Mental Health Lands Admin	0.0	0.0	-20.2	-20.2
FY2003 Governor	294.3	0.0	1,733.2	2,027.5

Component: Development - Special Projects

Contact: Stanley Foo, Chief, Mining Section

Tel: (907) 269-8621 **Fax:** (907) 269-8904 **E-mail:** stanf@dnr.state.ak.us

Component Mission

Manage the permit process so that complex, multi-agency projects are reviewed in a manner that is efficient for the applicant and the public, and that decisions protect public resources and involve the public in decisions that affect them.

Component Services Provided

This project uses funds provided by an applicant to coordinate the permitting of a large and complex project. Most of the projects permitted under this arrangement are large mines. Under state law DNR is the coordinating agency for large mine projects. Projects that are being coordinated under this program include the Pogo Mine Project near Delta, the Fort Knox and True North Projects near Fairbanks, the Red Dog Project near Kotzebue and an environmental review of the Greens Creek Mine near Juneau.

Component Goals and Strategies

The goal of the Development Special Projects Component is to facilitate special project reviews through an interagency project team process. Project teams are established at the request of the applicant and funded through a reimbursement agreement between the Department of Natural Resources and the requesting party.

Objective: To provide specific project review services for development projects.

This project allows the Department of Natural Resources to receive funds through reimbursement agreements and to distribute those funds to the various participating project review agencies by individual reimbursable services agreements consistent with an agreed upon work plan and schedule for each project undertaken. This process allows the project team to focus on the individual project and work with the company and others to evaluate the proposal and determine what, if any, alternatives should be considered. It is an interactive interagency process to evaluate project feasibility.

Currently, all of the projects coordinated using this process are large mines. In the past, other projects have been undertaken as well. Project involvement anticipated for FY 03:

- Pogo Mine Project - Continue activities necessary for authorization and development including participation in preparation of EIS and public process for state authorizations.
- Green's Creek Project - Technical review and processing for authorizations or amendments, and follow-up work on Phase I and Phase II activities. Technical environmental review findings. Implement and participate in the preparation of an EIS for a new tailing disposal site.
- True North Project - Continue regulation of mining and exploration and address authorization of any expansion plans. Monitor development, should expansion project be authorized.
- Ft. Knox - Ongoing monitoring of blending ores from Ft. Knox and True North. Provide interagency coordination, finalize reclamation bond renewal and monitor concurrent reclamation. Review as necessary.
- Red Dog - Monitor ongoing mining activities and address project development, bond estimation and reclamation plan review. Continue interagency review process at company's request.

Note: Project lead agency requests are initiated by applicants, so it is difficult to anticipate who will initiate requests, when such requests will be received, or what projects may become high priorities, as this is controlled by industry. Mineral exploration activities continue by a number of major and junior companies. We anticipate overall activity will remain constant during FY03 with expansions at existing mines and the possibility of new projects entering the development phase. Companies will seek development authorizations if the metal prices reach points where such projects are economically feasible. Other projects, in addition to mining projects, may be included in this component.

Key Component Issues for FY2002 – 2003

Not applicable.

Major Component Accomplishments in 2001

1. State interagency efforts on the Pogo Mine Project DEIS and access right-of-way progressed and initiated efforts to secure the required state authorizations.
2. Coordinated efforts to finalize the permitting of the True North deposit and addressed various regulatory issues affecting this operation and at the Ft. Knox gold mine.
3. At the invitation of the US Forest Service and Green's Creek Silver Mine, the Division participated in federal-state environmental reviews of operation at the site near Juneau as well as renewal of the reclamation plan and reclamation bond.
4. Coordinated interagency efforts at the Red Dog Zinc Mine to address the need for a solid waste permit, reclamation plan renewal and estimating an appropriate reclamation bond.

Statutory and Regulatory Authority

AS 38/ 11 AAC/ AS 27

Development - Special Projects

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.6	0.0	0.0
73000 Contractual	529.9	500.0	500.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	530.5	500.0	500.0
Funding Sources:			
1108 Statutory Designated Program Receipts	530.5	500.0	500.0
Funding Totals	530.5	500.0	500.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Statutory Designated Program Receipts	51063	530.5	500.0	500.0	500.0	500.0
Restricted Total		530.5	500.0	500.0	500.0	500.0
Total Estimated Revenues		530.5	500.0	500.0	500.0	500.0

Development - Special Projects**Proposed Changes in Levels of Service for FY2003**

There are no changes from the FY02 request for the statutory designated program receipt funded projects, although actual projects may vary depending upon requests received by the department and agreements negotiated with applicants.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	500.0	500.0
FY2003 Governor	0.0	0.0	500.0	500.0

Component: Emergency Firefighters Non-Emergency Projects

Contact: Jeff J. Jahnke, State Forester

Tel: (907) 269-8474 **Fax:** (907) 269-8931 **E-mail:** JJahnke@dnr.state.ak.us

Component Mission

Hire emergency firefighters (EFF) for fire management and hazard fuels reduction work, fire prevention, habitat restoration or improvement and other related activities in non-emergency circumstances under AS 41.15.030.

Component Services Provided

This component enables the Division to hire trained and experienced village EFF crews and individual EFF for use by cooperating state, municipal and federal land management agencies on pre-planned, non-emergency prescribed fire, hazard fuel reduction and other non-fire projects. Cooperating land management agencies have identified numerous prescribed burning projects across the state. These planned projects have identified approximately 250 crew workdays that will require the use of trained fire fighting crews. Prescribed fire projects require the use of highly trained and organized crews to conduct the burns in a safe and effective manner. Agencies utilizing the village EFF crews and individual EFF will provide the funding to pay for the costs associated with their use. These projects have the potential to reduce wildland fire threat to villages and communities in Alaska through the reduction of hazardous fuels and will improve wildlife habitat.

Component Goals and Strategies

The goal of this component is to utilize trained EFF village crews and individual EFF on non-emergency prescribed fire and hazard fuels reduction projects to meet the resource management objectives of various state, municipal and federal land management agencies in Alaska. This goal supports the Governor's jobs for Alaskans initiative.

The strategy is to market trained and experienced EFF crews and individual EFF for hire for various projects to cooperating state, municipal and federal agencies. The strategy includes providing services that make hiring EFF crews more desirable than other alternatives for short-term employment. The strategy is to keep EFF crews working together as a team so they will gain additional experience and be ready to fight wildland fires.

Key Component Issues for FY2002 – 2003

None

Major Component Accomplishments in 2001

During FY01, two major projects were accomplished utilizing EFF crews:

- Anchorage Hillside Hazard Fuel Reduction: The Mat-Su Type 2 EFF Crew was employed for eight weeks to accomplish hazard tree removal, fire break improvement and other hazard fuel work to reduce the potential of a serious wildland fire on the Hillside area in the Municipality of Anchorage. Federal funds were received from the US Forest Service to perform the mitigation work in Anchorage as part of the National Fire Plan project.

- Kenai Borough Hazard Fuel Reduction: The Kenai Type 2 EFF Crew worked for sixteen weeks and the Tazlina Type I EFF Crew worked four weeks to reduce hazardous fuel adjacent to public facilities to reduce the potential of a serious wildland fire for the Kenai Peninsula Borough. The crews worked in State Parks, various school sites and on City of Kenai property. The Kenai Peninsula Borough utilized Federal Spruce Bark Beetle Funding to accomplish the hazard fuels projects.

Statutory and Regulatory Authority

Alaska Statute 41.15.030

Emergency Firefighters Non-Emergency Projects

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	203.5	175.0	175.0
72000 Travel	0.0	2.0	2.0
73000 Contractual	0.0	53.0	53.0
74000 Supplies	0.0	20.0	20.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	203.5	250.0	250.0
Funding Sources:			
1061 Capital Improvement Project Receipts	203.5	250.0	250.0
Funding Totals	203.5	250.0	250.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Capital Improvement Project Receipts	51200	203.5	250.0	250.0	250.0	250.0
Restricted Total		203.5	250.0	250.0	250.0	250.0
Total Estimated Revenues		203.5	250.0	250.0	250.0	250.0

Emergency Firefighters Non-Emergency Projects

Proposed Changes in Levels of Service for FY2003

No proposed changes assuming a continuation level budget.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	250.0	250.0
FY2003 Governor	0.0	0.0	250.0	250.0

Component: Mental Health Trust Lands Administration

Contact: Stephen C. Planchon, Executive Director

Tel: (907) 269-8656 **Fax:** (907) 269-8905 **E-mail:** Steve_Planchon@DNR.state.ak.us

Component Mission

The Trust Land Office (TLO), supported by funds derived from Trust Income, manages and develops Alaska Mental Health Trust lands on behalf of the Alaska Mental Health Trust Authority to help improve the lives and circumstances of Trust beneficiaries. Annual income earned is available for distribution by the Trust Authority in the following year; principal earned contributes to income distributed in subsequent years.

Component Services Provided

- Administer existing transactions on Trust lands (e.g., contracts, leases, permits, rights-of-way and other encumbrances affecting Trust lands).
- Initiate new and diverse revenue-generating activities on Trust land.
- Fully account for Trust Land Office revenues, costs, and actions.

Component Goals and Strategies

- Maximize revenue generated from Trust lands over time through prudent administration of existing transactions, and generating new activity on Trust lands. The revenue objective for FY03 is \$4.9 million.
- Protect and enhance the long-term productivity of the Trust land portfolio. The FY03 objective is to inspect key activity areas on Trust land, e.g. Fort Knox Mine, Subport Leases, Icy Cape Timber Sale Area, Thorne Bay Timber Sale Area, etc. Additionally, TLO staff will inspect unencumbered Trust land whenever reasonable to do so. Finally, the TLO will continue efforts to rezone parcels, remove problematic encumbrances and plan for future development of key parcels.
- Ensure the maximum revenue is available for Trust Authority allocation by maintaining cost-effective Trust Land Office operations. The FY03 objective is that Trust Land Office costs will not exceed 25% of gross revenues.
- Maintain full accountability and positive reputation for Trust Land Office operations. The FY03 objective is to complete one annual report, four quarterly reports and 12 monthly reports.

Key Component Issues for FY2002 – 2003

- Increased diversity of Trust land transactions.
- Conversion of sensitive Trust lands (e.g. environmentally unique lands) to cash or other less sensitive assets.
- Volatile resource values over time.

Major Component Accomplishments in 2001

- Exceeded \$4.1 million dollar revenue goal by about 75%, with FY01 gross revenues of about \$7.2 million.
- Maintained core operating costs at about 11% of gross revenues (goal was less than 25%).
- Completed monthly, quarterly and annual reports to the Trust Authority.
- Consulted regularly with the Trust Authority on significant issues affecting Trust lands.

Statutory and Regulatory Authority

AS 37.13.300

Mental Health Trust Lands Administration

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	537.1	638.3	658.5
72000 Travel	26.5	30.0	30.0
73000 Contractual	159.8	288.9	268.7
74000 Supplies	10.6	11.0	11.0
75000 Equipment	28.1	15.0	15.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	762.1	983.2	983.2
Funding Sources:			
1092 Mental Health Trust Authority Authorized Receipts	762.1	983.2	983.2
Funding Totals	762.1	983.2	983.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
Unrestricted Fund	68515	7,538.7	4,900.0	4,900.0	5,900.0	6,800.0
Unrestricted Total		7,538.7	4,900.0	4,900.0	5,900.0	6,800.0
<u>Restricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Restricted Total		0.0	0.0	0.0	0.0	0.0
Total Estimated Revenues		7,538.7	4,900.0	4,900.0	5,900.0	6,800.0

Mental Health Trust Lands Administration
Proposed Changes in Levels of Service for FY2003

No service changes.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	983.2	983.2
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	20.2	20.2
Proposed budget decreases:				
-Reduce contractual services to anticipated budget levels	0.0	0.0	-20.2	-20.2
FY2003 Governor	0.0	0.0	983.2	983.2

Mental Health Trust Lands Administration

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	9	9	Annual Salaries	490,012
Part-time	0	0	COLA	17,266
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	172,095
			<i>Less 3.07% Vacancy Factor</i>	(20,873)
			Lump Sum Premium Pay	0
Totals	12	12	Total Personal Services	658,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Ex Dir Mental Hlth Land Trust	1	0	0	0	1
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Tech II	1	0	0	0	1
Student Intern I	1	0	0	0	1
Trust Resources Manager	6	0	0	0	6
Trust Resources Technician	2	0	0	0	2
Totals	12	0	0	0	12

BRU/Component: Forest Management and Development

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Jeff J. Jahnke, State Forester

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Component Mission

Develop, conserve, enhance, and manage the state's forests to provide a sustainable supply of forest resources for Alaska and to manage the wildland fire suppression program.

Component Services Provided

This component provides for delivery of services in the wildland fire preparedness, forest resource management, forest practices, and federal cooperative forestry programs.

The wildland fire preparedness program provides personnel, fire training, equipment, facilities and support activities to prepare for Alaska's wildland fire season.

The forest resource management program provides a sustained yield of forest resources and uses on legislatively designated State Forests and other forested state land. This program sells timber to the private sector and creates jobs through value-added processing, harvesting, transportation, and replanting. It inspects harvest operations for compliance with state laws and contracts and involves the public and other agencies in forest management decisions. This program also maintains and enhances wildlife habitat that supports personal and guided hunting, and provides sites for commercial tourism and private recreation.

The forest practices program administers the Forest Resources and Practices Act (FRPA) on state, municipal, trust, and private lands. The Act and program are designed to protect fish habitat and water quality, ensure prompt reforestation, and provide for a healthy timber industry. The FRPA sustains the fish and forest resources that support jobs in the timber and commercial fishing industries. The program implements, monitors, and enforces best management practices for forest operations. The program focuses on private and trust lands where extensive harvesting is occurring.

The federal cooperative forestry program uses USFS funds to provide forestry assistance to private landowners, Native corporations, and communities. DOF delivers these services through its urban and community forestry, insect and disease suppression, conservation and Firewise education, and forest stewardship staff. These funds do not supplant general funds or duplicate state projects, but provide specialized professional expertise and public outreach.

Component Goals and Strategies

The goals are to deliver the individual program services efficiently and effectively; and to support the Governor's goal of jobs for Alaskans through responsible management and development of the state's renewable resources. Strategies are tailored to each specific program as follows:

The wildland fire preparedness program supports the Governor's emphasis on public health and safety by providing for wildland fire preparedness and fire prevention services. The Division maintains 57 cooperative agreements with local government and structure fire departments to augment its initial attack capabilities in the populated areas of the state. Joint training and exercises with cooperators in wildland/urban interface response are critical to ensure rapid coordinated responses. Evacuation Guidelines have been developed through a cooperative effort by a number of agencies over the past year. This program also supports municipal and local initiatives such as Project Impact (emergency preparedness and wildland fire), FIREWISE and the Kenai Peninsula Spruce Bark Beetle Project providing pre-planning for evacuation, fire "safe" zones, hazard fuels mitigation and survivable space homeowner education.

The forest resource management program supports the Governor's long-term goals of a sustainable forest, jobs for Alaskans, and in-state value-added processing of wood fiber. The FY 03 goal is to offer 45.9 million board feet (MMBF) of timber, comprised of 44.6 MMBF from this component and the remainder from CIP funding. Strategies will vary by

geographic area and market demand. The market for forest products directly affects the demand for timber sales. In Southeast Alaska, timber sales in a range of sizes will be offered for local, value-added processing. This strategy allows the state to play an important role in the local economy, despite having a limited land base. The Tanana Valley State Forest Plan update, which was completed in the first quarter of FY 02, provides a sound basis for management decisions based upon public input and resource sustainability, and allows an increase in the allowable cut for state land. We will continue to offer a variety of sales to support local processors and enhance wildlife habitat in the Tanana Valley. In South central Alaska, the department will offer sales to support local processors, enhance wildlife habitat, and where feasible, salvage beetle-killed timber to reduce wildfire hazards, accelerate reforestation and defray reforestation costs, and obtain economic benefits from the wood. DNR received an FY02 increment in program receipt funding for reduction of barriers to value-added timber sales. In FY02, this funding is being used to build and maintain sale access in the Tanana Valley, reduce the reforestation backlog and defray reforestation costs, provide information to match sale areas with local processors in southeast Alaska, and to layout and administer value-added sales in several areas. This activity supports a projected increase in value-added sale offerings in FY02. DNR is requesting a \$50.0 increment to these timber receipt funds for FY 03 to expand this program.

The forest practices program supports the Governor's goal of sustaining the forest and fishing industries by protecting water quality and fish habitat, and ensuring prompt reforestation. It also improves efficiency for the forest industry by providing one-stop shopping for compliance with federal Clean Water Act and coastal zone management requirements. This program reviews detailed plans of operation, works with operators during on-site inspections, provides training for operators and landowners, conducts implementation monitoring, and when necessary, enforces the Act's provisions to ensure protection of water quality and fish habitat. Implementation actions focus on private and trust lands. A primary goal for FY 03 is to adopt updated riparian standards and best management practices (BMPs) for Interior Alaska. HB 131 was introduced in 2001 to implement the consensus recommendations of a science and technical committee, a stakeholders implementation group, and the Board of Forestry. A similar process to review and update the riparian standards for south central Alaska will start in FY 02. The forest practices program will provide training for operators and landowners when the new provisions take effect. Scientific monitoring of BMP implementation will identify practices for which training is needed, or where revision is appropriate.

Federal cooperative forestry programs support the Governor's initiative in the spruce bark beetle program, health, public safety, and jobs for Alaskans. Community Forestry, Forest Stewardship, Rural Community Fire Protection, Volunteer Fire Assistance (VFA) grants, and Insect/Disease programs provide direct assistance to local governments, individual Alaskans, Native corporations, and communities. DOF anticipates increases in federal funding for these programs in Alaska; additional funding will be directed toward state and municipal goals, including reduction of wildfire hazards and reforestation in the wildland-urban interface

Key Component Issues for FY2002 – 2003

In Southeast Alaska, demand for wood from state land continues to be strong. Continued decreases in the wood supply from the Tongass National Forest create additional pressure for sales from the small area of southeast forest land in state ownership. Supplying wood for small to mid-size wood processors is a high priority. The information base for active management of these lands is weak. There is no timber inventory for most state timberland in southeast Alaska, and inventory is the cornerstone of sound, sustainable forest management.

In South central and Interior Alaska, weak markets limited demand for state timber in FY 02, particularly for salvage sales in areas with spruce bark beetle infestations. In the Interior, demand is primarily from small, local processors. The Division is a major supplier for these operations, and is also working to provide opportunities for new processors through preparation of larger sales for value-added processing.

Reforestation costs in this area further reduce timber demand in South central and Interior Alaska, especially for timber salvage. However, reforestation is essential to maintaining forest resources in these regions. The department reduces reforestation costs to the state by relying on natural regeneration where feasible, and requiring operators to provide site preparation and replanting on some sales. However, small operators rarely have the capital or expertise for effective reforestation. Without state support, reforestation costs can be a barrier to timber purchases for value-added processors. Reforestation funding is essential to stability in the state timber sale program and in local value-added processing operations. A portion of the FY02 increment for removing barriers to value-added timber sales will be used to reduce reforestation costs. In spruce bark beetle infestation areas, reforestation also helps reduce wildfire hazards by decreasing grass cover.

Throughout the state, limited transportation infrastructure also hampers forest operations. The state incorporates the cost of road construction and maintenance into timber sale purchases whenever possible. However, costs of bridges and roads that provide long-term access to large forest management areas are often greater than individual sales, especially small sales to local operators, can bear. Funding for key bridges and road segments could expand the area available for forest management, and provide secondary benefits for other forest users. A portion of the FY02 increment for removing barriers to value-added timber sales will be used for access development.

Alaska's population continues to move into the urban interface areas of the state increasing the potential for more human-caused wildland fires. Wildland fires in the populated areas are the most costly and difficult to suppress. An aggressive wildland fire prevention program with continued focus on the survivable space and FIREWISE concepts is essential to reducing the human-caused wildland fire problem. Firefighters and resources available for rapid initial attack in the urban interface can be very effective in keeping new fires small. The same resources can also be effective in prevention activities, in reducing the number of fires that result from human actions.

The threat of a catastrophic wildland fire exacerbated by the buildup of bark beetle killed timber will be an issue for years to come. There are several areas with large stands of dead and down timber that have the potential to impact private land in the urban interface. Local government fire departments and structure fire departments need to be adequately trained in wildland fire suppression. Continued cooperation and coordination in initial attack will help reduce the potential for catastrophic fire events due to the buildup of hazard fuels. DNR is proposing as a supplemental request the reappropriation of an existing timber salvage CIP for the Kenai area (SLA97/CH50/Sec15(k)). The reappropriation only changes the scope of the project to allow the division to target salvage to reduce fire hazards and defray reforestation costs that are a barrier for some sales. The original CIP specified that the funds be used on four large salvage sales that are not economically feasible in the current market.

Climatic change creating an earlier fire season and increased urban interface wildland fire occurrence has decreased the amount of time available for preseason training of the Divisions firefighters. Firefighters are being pulled from training each year to fight fires, creating a cumulative problem. A critical level has been reached that affects our ability to maintain a core readiness.

The Division's Wildland Fire Management Program consists of two components. This component funds wildland fire preparedness and the Fire Suppression Component funds actual fire suppression actions. The annual cost of wildland fire suppression over the last ten years has consistently exceeded budget funding. This has been recognized by both the administration and legislature and additional funding has been received through the use of the emergency declaration process and supplemental appropriations.

Major Component Accomplishments in 2001

Forest Resource Management. DNR continued to emphasis support of local value-added processors in its timber sale program. In FY 01, DNR:

- Offered 32.5 million board feet of timber were offered for sale,
- Sold 56 timber sales to local processors, and
- Planted trees on 1,671 acres to ensure that the supply of forest resources is sustained for the future.

Since FY97, this program has sold more than 240 timber sales totaling over 80 million board feet of state timber to more than 120 in-state processors (see table).

Area	Number of state timber sales to Alaskan businesses					Total FY97-01	# Different Purchasers
	FY 97	FY 98	FY 99	FY 00	FY 01		
Southern SE	17	25	14	13	6	75	36
Northern SE	1	7	1	5	13	27	15
Kenai-Kodiak	0	0	1	4	0	5	4
MatSu/SW	4	2	1	4	6	17	10
Fairbanks	21	10	10	19	21	81	46
Delta	7	7	4	10	8	36	14
Tok	0	0	1	4	2	7	6

Statewide Total	50	51	32	59	56	248	128
Note: Some purchasers bought timber from more than one area, therefore the statewide total for the number of different purchasers is less than the sum of the areas.							

Forest Practices. DNR continued to ensure that forest resources, clean water, and fish habitat are maintained through implementation of the Forest Resources and Practices Act. In 2000, DNR

- Conducted timely review of 137 new Detailed Plans of Operation covering 47,225 acres and 174 miles of forest road.
- Conducted 187 field inspections on forest operations
- Provided training to landowners and operators for implementation of the revisions to the FRPA that were passed in 1999.
- Led and completed a review of riparian management standards for Interior Alaska. A Science/Technical Committee and the Board of Forestry recommended changes to the FRPA for interior Alaska. HB 131 was introduced to implement these recommendations.
- Conducted implementation monitoring was conducted in Regions I & II to measure compliance with best management practices.
- Completed research on the dynamics of the Tanana River to assess effects of forest cover on erosion and fish habitat along large glacial rivers.

Fire Preparedness. This program ensured that the department and its cooperators were prepared to effectively and efficiently respond to wildfire in the state protection area, and strove to prevent human-caused fires. In FY 01, DNR

- Provided ICS physical fitness test to 1669 forestry, EFF, VFD, and local government firefighters,
- Issued red cards to 1851 forestry, EFF, VFD, and local government firefighters,
- Provided fireline refresher training to 1669 forestry, EFF, VFD, and local government firefighters,
- Trained 575 EFF firefighters to be utilized on village EFF crews,
- Maintained 57 cooperative agreements with local government and volunteer fire departments,
- Gave 100 school wildland fire prevention programs,
- Protected 134 million acres of land from wildland fire, and
- Contained 97% of all wildland fires in full and critical protection areas within 10 acres.

Cooperative Forestry. The Cooperative Forestry programs used federal funds to assist private forest landowners in developing and implementing plans to manage their forest resources, provided information on insect and disease conditions to agencies and private landowners, assisted communities in assessing and managing their tree resources, and provided conservation education programs to teachers and organizations. In FY01, these programs

- Provided grants to 12 communities for tree planting, conservation education, and program development,
- Trained 13 tree stewards in Fairbanks to provide volunteer tree care to community trees,
- Awarded \$131,282 in grants to 6 ANCSA corporations for forest stewardship plans on 30,022 acres, and
- Completed 37 forest stewardship plans for individual landowners on 2,399 acres.

Statutory and Regulatory Authority

Forest Resource Management

AS 38.04.060-065

AS 38.05.035, .110-.123, .945

AS 41.15.300-.330

AS 41.17.020-.030, .060, .200-.400

AS 45.50.210-.325

11 AAC 05

11 AAC 71

Forest Practices

AS 41.17

11 AAC 95

Cooperative Forestry Programs

AS 41.15.020-.030

AS 41.17.030-.055

Preparedness

AS 41.15.010-.170

11 AAC 95.410-.495

Key Performance Measures for FY2003

Measure:

The level of compliance with AS 41.17 (Forest Resources and Practices Act).

Sec 110(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Targets

- 100% Detailed Plans of Operations (DPOs) reviewed timely (report the # reviewed timely/# due for review in this year)
- 100% compliance with FRPA best management practices based on implementation monitoring (Note: data is available for Regions I and II only)
- 100% of forest land meeting reforestation requirements

Progress

On track for review of DPOs. The most recent implementation monitoring data is for 1999 sampling in Region I (coastal Alaska). Overall compliance with best management practices was 92% for road construction and maintenance, and material and disposal sites; 85% for crossing structures; and 95% for harvesting. Data for 2001 sampling in Region I and Region II (south central Alaska) is currently being analyzed. Reforestation compliance is 100% in Region I. In Region II and Region III some lands are out of compliance, particularly in areas with low value timber and high costs of reforestation. DNR is working with landowners to achieve compliance on these lands and improve tracking of reforestation on private land.

Benchmark Comparisons:

Forest Resources and Practices Act (FRPA) continues to be certified for compliance with federal Clean Water Act and Coastal Zone Management requirements

Background and Strategies:

The FRPA supports the timber and fishing industries by protecting fish habitat and water quality, and providing one-stop shopping to the timber industry for compliance with federal clean water and coastal zone standards. Strategies include reviewing DPOs timely, increasing the ratio of inspections to DPOs received, training landowners and operators in implementation, updating riparian management standards for Interior Alaska (HB 131) and South central Alaska, expanding implementation monitoring statewide, reviewing and improving procedures for documenting reforestation in Interior Alaska, and if violations occur, working with directives and other enforcement actions to correct any problems.

Measure:

The annual volume of state timber sold as compared to the amount offered for sale.

Sec 110(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Targets

- 45.9 MMBF offered (including re-offers and over-the-counter sales). This includes 44.6 MMBF from the operating budget and 1.6 MMBF from CIP sales.
- 40.8 MMBF sold

Progress

DNR offered 32.5 MMBF for sale in FY01, and sold 7.7 MMBF. Sales were considerably below offerings in northern southeast Alaska, on the Kenai Peninsula, and in the Fairbanks area due to weak markets, especially for salvage timber in spruce beetle areas.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The DNR timber sale program focuses on supporting Alaskan jobs by making timber available for local processors. Competitive and negotiated sales are offered in sizes and locations needed by local processors throughout the state.

Where feasible, the department also offers salvage sales of timber damaged by fire, bark beetles, or other pests. Salvage sales are designed to reduce wildfire hazards, accelerate reforestation and defray its cost, and capture economic value before the wood decays. Salvage timber may be used locally or exported. The projected volume of sales is somewhat less than the total volume of timber offered because markets are weak for salvage sales, particularly over-the-counter sales and re-offers. However, DNR wants to keep salvage timber offerings available to achieve the benefits of harvesting and reforestation where possible.

DNR projects that FY03 offerings and sales will be greater than the FY01 results. The increase reflects additional offerings in Southern Southeast Alaska, where demand exceeds supply, offering of a large value-added sale near Tok (AS 38.0.123), and significant over-the-counter offerings and re-offers of unsold timber in Northern Southeast and the Copper River areas. This increase is also supported by the FY02 increment in program receipt funding for removing barriers to value-added sales.

There is no standard performance level for this target. Sale levels depend on the sustainable harvest level in each area, timber type and condition, and markets. State sales vary by area. For example, in Southern Southeast Alaska, DNR plans to offer the full allowable cut for sale, and demand exceeds supply. In Interior Alaska, state timber offerings exceed current demand. Unsold sales continue to be available over-the-counter.

Measure:

The acreage of

- (A) state forest land with active insect infestations or diseases;
- (B) infested or diseased timber offered for sale on state land; and
- (C) infested or diseased timber sold on state land.

Sec 110(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:Targets

1,421 acres of infested or diseased timber offered for sale on state land
1,218 acres of infested or diseased timber sold on state land

Progress

In FY 01, 1,853 acres of beetle-killed or infested timber was offered for sale in the Haines and Kenai areas, but only 52 acres were sold due to weak markets for salvage timber. Even at a sale price of \$1/MBF, many sales have no purchasers. DNR continues to offer salvage timber for sale. Since FY94, in the Kenai area alone, 10,892 acres of infested timber have been offered for sale, and 10,348 acres have been purchased. However, not all of the purchased timber has been harvested, and some unharvested sales have been returned to the state, were re-offered, and were not purchased.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Where feasible, the department offers salvage sales of infested or diseased timber. Salvage sales are designed to reduce wildfire hazards, accelerate reforestation and defray its cost, and capture economic value before the wood decays. Salvage timber may be used locally or exported. In recent years, weak markets for timber, especially beetle-

killed timber – have been weak and many salvage sales had no bidders. Unsold offerings continue to be available over-the-counter or are re-offered.

There is no target for the acreage of infested or diseased land. The extent of infestations is largely controlled by climate and stand condition. Many infested forests are in parts of the state that have no road access or commercial markets, and are not actively managed.

The projected acreage of timber sold is somewhat less than the total acreage offered because markets are weak for salvage sales, particularly over-the-counter sales and re-offers. However, DNR wants to keep salvage timber offerings available to achieve the benefits of harvesting and reforestation where possible. For FY03, DNR is requesting that the intent of an existing timber salvage CIP for the Kenai area be changed to allow us to target salvage to reduce fire hazards and defray reforestation costs that are a barrier for some sales. The original CIP specified that the funds be used on four large salvage sales that are not economically feasible in the current market.

There is no standard for the amount of infested or diseased timber offered or sold. Amounts offered and sold depend on the extent, location, and type of infestations and the market demand for the infested timber. Markets for infested timber are weak, reflecting both generally weak markets for Alaskan timber, especially in interior and south central Alaska, and reduced value of infested timber.

Measure:

The annual volume of state timber offered for in-state companies and converted to value-added products.

Sec 110(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Target:

32.5 MMBF offered for in-state companies and converted value-added products.

Progress:

From FY97 through FY01, DNR sold over 240 timber sales to more than 120 different in-state purchasers to be processed wholly or partially in-state. These sales totaled over 80 MMBF of timber (see table).

Area	Number of state timber sales to Alaskan businesses					Total FY97-01	# Different Purchasers
	FY 97	FY 98	FY 99	FY 00	FY 01		
Southern SE	17	25	14	13	6	75	36
Northern SE	1	7	1	5	13	27	15
Kenai-Kodiak	0	0	1	4	0	5	4
MatSu/SW	4	2	1	4	6	17	10
Fairbanks	21	10	10	19	21	81	46
Delta	7	7	4	10	8	36	14
Tok	0	0	1	4	2	7	6
Statewide Total	50	51	32	59	56	248	128

Note: Some purchasers bought timber from more than one area, therefore the statewide total for the number of different purchasers is less than the sum of the areas.

Benchmark Comparisons:

There is no standard for this measure.

Background and Strategies:

The DNR timber sale program focuses on supporting Alaskan jobs by making timber available for local processors. Competitive and negotiated sales are offered in sizes and locations needed by local processors throughout the state.

In Southern Southeast Alaska, all offerings were sold. In most other areas, more timber was offered than was sold. Unsold timber remains available over-the-counter or is re-offered.

Some state timber is exported. Salvaged wood in spruce bark beetle areas will mostly go to export chip markets. A portion of the timber in Southern Southeast value-added sales is pulp or utility wood with no local market. The pulp and utility wood may be exported, while the higher-grade wood is processed in-state.

Measure:

The total costs to the division per board foot sold.
Sec 110(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:Target:

\$20.80/MBF offered for in-state companies and converted value-added products.

Progress:

Projected costs for FY03 are slightly higher than those for FY02 due to a slight increase in the proportion of timber expected to be sold from south central where sale preparation costs/MBF are higher due to low volumes per acre. In SE small sizes don't require advertising or Forest Land Use Plans.

Benchmark Comparisons:

There is no standard for this measure.

Background and Strategies:

DNR strives for efficiency in the preparation, sale, administration, and reforestation of timber sales. Improvements in technology, such as increased use of GPS systems and links between GPS use and GIS mapping are used to increase per capita productivity over the years. To keep costs down, personnel from different area offices are combined into layout teams to prepare high priority sales, and cross-training between fire and forest management staff allows use of seasonal fire staff to assist on timber sale projects when available.

Costs per MBF sold will vary by available access, topography, timber type, sale size, reforestation needs, and market fluctuations. Annual figures on the amount of timber sold are also complex because some costs occur prior to the sale year (e.g., layout, planning, and advertising), and some costs occur after the sale year (e.g., contract administration and reforestation). In weak markets some timber offered for sale will not be purchased at the initial offering, but may be purchased over-the-counter over the next two years. For these reasons, figures on cost/MBF sold should be considered rough numbers, and changes in the number are likely to reflect changes in markets, sale size, or location rather than changes in operating efficiency. The department's emphasis on providing wood for local, value-added processors, increases some costs, because most processors are small operations, and their demand is for small sales. Small sales cost more per unit volume to offer and administer than large sales.

The projected cost/MBF is an average statewide figure. Actual cost will vary by the location, access, sale size, and volume/acre of sales that are actually purchased. This figure includes costs of sale design and road layout, mapping, cruising, appraisal, contract preparation and administration; preparation and distribution of Forest Land Use Plans, Coastal Consistency Determinations, and best interest findings; and auction costs, including advertising. It does not include overhead costs or reforestation and thinning costs, which are part of basic, long-term forest stewardship, and are not attributable to individual sales. Costs are estimated based on typical sale costs rather than by time logs for each sale.

Measure:

The number of fires that result from human actions, whether as a function of population growth or other causes.
Sec 110(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:Target

Reduce human caused fires in the state's protection area. In fire season 2000, 260 of the 299 fires were human-caused.

Progress

On track -- so far in FY 02, 42 fires have been reported, of which 38 are human caused.

This is a reduction of the number of human caused fires from fire season 1999 which was 302 human caused fires.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Humans cause approximately 84 percent of the wild land fires occurring each season in the Division's protection area. Strategies include maintaining an aggressive wildland fire prevention program and continued support of the survivable space and FIREWISE concepts in an effort to reduce the overall percentage of human-caused fires.

Measure:

The percentage of fires in full and critical protection categories that are held to less than 10 acres.
Sec 110(b)(7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Target:

Contain 90% of fires in full and critical protection categories at 10 acres or less.

Progress:

First quarter FY02 on track. In fire season 2001, 271 of 277 fires (99%) of fires in full and critical protection were kept to 10 acres or less. In fire season 2000, 236 of 241 fires (98%) reached the target.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The Division of Forestry responds to an average of 423 wildland fires annually in its protection area with the exact number and location being unknowns. The most cost-effective response requires adequate preparedness and coordination with the Division's numerous cooperators. The occurrence of wildland/urban interface fires will continue to increase as the population moves to the wooded areas of the state, climatic changes result in longer fire seasons, and serious insect/disease infestations add to the hazardous fuels problem.

Strategies include providing immediate, aggressive initial attack in coordination with cooperating local government, structure fire departments and federal agencies. This strategy includes creating and maintaining cooperative agreements to enhance initial attack response effectiveness. Additional strategies include media coverage of fires to expand public awareness of the impact of human caused fires, support of fire prevention activities, and increased public education on how to create survivable space around private property.

Forest Management and Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	7,800.4	6,670.6	7,046.9
72000 Travel	421.2	219.7	220.2
73000 Contractual	1,097.2	1,445.3	1,485.3
74000 Supplies	517.9	549.6	553.1
75000 Equipment	228.6	50.5	50.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	10,065.3	8,935.7	9,356.0
Funding Sources:			
1002 Federal Receipts	867.3	1,161.9	1,175.4
1004 General Fund Receipts	6,957.3	7,020.1	7,133.2
1005 General Fund/Program Receipts	13.7	0.0	0.0
1007 Inter-Agency Receipts	2,058.3	155.6	218.4
1053 Investment Loss Trust Fund	45.7	0.0	0.0
1061 Capital Improvement Project Receipts	105.2	288.1	468.3
1108 Statutory Designated Program Receipts	17.8	30.0	30.0
1155 Timber Sale Receipts	0.0	280.0	330.7
Funding Totals	10,065.3	8,935.7	9,356.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Timber Sale Receipts	51076	0.0	0.0	50.0	0.0	20.0
Unrestricted Fund	68515	448.1	11.0	11.5	11.5	11.5
Unrestricted Total		448.1	11.0	61.5	11.5	31.5
Restricted Revenues						
Federal Receipts	51010	867.3	1,161.9	1,161.9	1,175.4	1,174.9
Interagency Receipts	51015	2,058.3	155.6	783.0	218.4	218.4
General Fund Program Receipts	51060	13.7	0.0	0.0	0.0	0.0
Statutory Designated Program Receipts	51063	17.8	30.0	20.4	30.0	30.0
Timber Sale Receipts	51076	0.0	280.0	280.0	330.7	330.7
Capital Improvement Project Receipts	51200	105.2	288.1	345.5	468.3	468.3
Restricted Total		3,062.3	1,915.6	2,590.8	2,222.8	2,222.3
Total Estimated Revenues		3,510.4	1,926.6	2,652.3	2,234.3	2,253.8

Forest Management and Development

Proposed Changes in Levels of Service for FY2003

Component service changes are proposed with the following increments:

Overcoming Barriers to Value-Added Timber Sales - \$50.0 funded by Timber Sale Receipts

This increment would expand the successful efforts begun in FY 02 to support and increase timber sale offerings for in-state, value-added processing. It would pay for a mix of road and bridge construction, reforestation, thinning, and timber sale preparation. A typical mix of annual accomplishments provided by this increment would include reforestation of about 100 additional acres in south central and interior Alaska, and 25 more acres of pre-commercial thinning (also called timber stand improvement) in dense, productive forests in southeast Alaska. It would also construct river and railroad crossings, and establish central haul roads. This effort would open or maintain areas for multiple timber sales where individual sales cannot pay the capital costs for regional access. Reforestation tasks include site preparation, seedling purchases, and planting. The increment is less than the total reforestation cost. DNR will continue to use natural regeneration to keep down reforestation costs where feasible, and will continue to include costs of reforestation in timber sale contracts where the sale can bear the cost and the purchasers have the expertise to replant successfully.

Federally Funded Hazard Fuels Assessment and Mitigation - \$230.0 (\$170.0 CIP, \$60.0 I/A)

This increment uses federally funded project receipts to identify wildfire hazard zones, prioritize future hazard fuel mitigation, perform multi-resource stewardship planning, develop fuel use pilot projects, develop community planning for fire, equip volunteer fire departments, and provide infrastructure mapping and fuel classifications. The federally funded projects involve participation with federal, state, and cooperative agencies and expand reporting of land ownership, road coverage, insect infestation, and unidentified airstrips. The projects accomplished with this increment will afford us greater accuracy in our prevention and suppression actions, reduce response time, reduce loss of property, and lower suppression costs.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	7,020.1	1,161.9	753.7	8,935.7
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	113.1	13.5	13.7	140.3
Proposed budget increases:				
-Overcoming Barriers to Value-Added Timber Sales	0.0	0.0	50.0	50.0
-Federally Funded Hazard Fuels Assessment and Mitigation Projects	0.0	0.0	230.0	230.0
FY2003 Governor	7,133.2	1,175.4	1,047.4	9,356.0

Forest Management and Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	60	64	Annual Salaries	5,423,615
Part-time	117	116	COLA	107,215
Nonpermanent	12	12	Premium Pay	6,953
			Annual Benefits	2,022,133
			Less 6.79% Vacancy Factor	(513,016)
			Lump Sum Premium Pay	0
Totals	189	192	Total Personal Services	7,046,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	0	0	0	1	1
Accounting Tech I	0	1	0	0	1
Accounting Tech II	1	0	0	0	1
Administrative Assistant	0	0	1	0	1
Administrative Clerk II	0	1	0	0	1
Administrative Clerk III	1	1	0	7	9
Administrative Manager I	0	1	0	1	2
Administrative Manager IV	1	0	0	0	1
Analyst/Programmer II	0	1	0	1	2
Analyst/Programmer III	1	1	0	0	2
Analyst/Programmer IV	0	1	0	0	1
Division Director	1	0	0	0	1
Education Assoc II	1	0	0	0	1
Emergency Management Assistant	1	0	0	0	1
Emergency Management Spec	1	0	0	0	1
Equip Operator Journey II	0	1	0	0	1
Forest Tech II	0	6	0	13	19
Forest Tech III	0	12	0	34	46
Forest Tech IV	0	8	0	19	27
Forester I	1	3	0	2	6
Forester II	1	5	0	12	18
Forester III	1	3	2	8	14
Forester IV	0	2	0	2	4
Forester V	0	1	1	0	2
Information Officer I	1	0	0	0	1
Maint Gen Journey	1	1	0	2	4
Maint Gen Sub - Journey II	0	0	0	2	2
Maint Spec Bfc Jrny II/Lead	1	1	0	0	2
Mech Auto Journey	2	1	0	0	3
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Mgr II	0	1	0	0	1
Natural Resource Mgr IV	2	0	0	0	2
Procurement Spec III	1	0	0	0	1
Student Intern I	12	0	0	0	12
Totals	32	52	4	104	192

Oil and Gas Development Budget Request Unit

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

BRU Mission

See specific information at component level.

BRU Services Provided

See specific information at component level.

BRU Goals and Strategies

See specific information at component level.

Key BRU Issues for FY2002 – 2003

See specific information at component level.

Major BRU Accomplishments in 2001

See specific information at component level.

Key Performance Measures for FY2003

Measure:

Oil & Gas - Compliance with the areawide leasing plan and exploration licensing.
Sec 111(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The division is 100% in compliance with this measure.

Since 1979, when the modern oil and gas leasing program began, the division has averaged 2.7 lease sales per fiscal year. In the Five-Year Oil and Gas Leasing Program to be released in January 2002, the division has scheduled four lease sales per fiscal year through FY 06. In addition, the division issued its first exploration license during FY 01, and has three license applications in progress.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The division conducted five lease sales and issued the state's first exploration license during FY 01. We have four lease sales scheduled for FY 02 and three license applications are in progress.

Measure:

Oil & Gas - The percentage of available state acreage offered for oil and gas leasing, or for exploration.
Sec 111(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

One hundred percent of available state acreage in Cook Inlet, Beaufort Sea, and the North Slope were offered for leasing in FY01. All available state land is open for exploration licensing.

During FY01 the division: 1) held five lease sales (Beaufort Sea, North Slope, North Slope Foothills, and Cook Inlet),

and leased over 1.8 million acres; 2); issued the first exploration license for 318,756 acres (Copper River basin); and 3) issued four shallow natural gas leases in the vicinity of the Red Dog Mine covering 23,040 acres.

During the first half of FY02 the division leased 530,560 acres in two area wide sales (with two more scheduled for the fourth quarter) and issued shallow natural gas leases covering 1,031,680 acres.

The division is 100% in compliance with this measure.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

All available state land is made available through our leasing or licensing programs. During FY01 the division began utilizing a privately owned website (IndigoPool.com) to advertise its lease sales and solicit competing exploration license proposals.

Measure:

Oil & Gas - The revenue received for total state production of oil and gas.
Sec 111(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01, the division collected \$1.1 billion in revenues, compared to \$1.0 billion in FY00.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The department's strategies include aggressive monitoring of oil and gas markets, thorough auditing, and periodic reopening of settlement agreements, as well as entering new settlement agreements where advantageous to the state, all for the purpose of maximizing royalty revenues.

The annual revenues received are continually updated on our website.
<http://www.dog.dnr.state.ak.us/oil/>

Measure:

Oil & Gas - The number of resident and nonresident private sector jobs in the oil and gas industry in the state.
Sec 111(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the State Department of Labor, the statistics on employment in Alaska for oil and gas extraction have increased. Below are annual averages since 1998:

2001 (Jan-Aug)	11,200
2000	10,300
1999	9,400
1998	9,300

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

These figures are available at this site:

http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm

Measure:

Oil & Gas - The number of new and assigned oil and gas rights, plans, and units.
Sec 111(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The division does not control the number of applications filed by industry. This past year the division has been inundated with industry applications for assignment of leases and the formation and expansion of units and participating areas. In FY01, the division processed 1356 oil and gas lease assignment requests. The division is on track to process this year's assignments. Last year the division administered 30 unit agreements containing 47 participating areas. There currently are 37 units and 50 participating areas in the state with several applications pending.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Delays in issuing leases result in losses of rental revenues to the state, delays in exploration and development projects, and possibly cancellation of exploration programs. Prompt assignment approvals are important for royalty accounting and lease administration. Prompt approvals of unit applications are important in assuring the maximum responsible exploration and development of oil and gas resources, as well as maximizing royalty revenue collection.

In FY01, the division received an increment of \$400,000 to clear the backlog in assignments and unit actions. There is no longer a backlog in assignments or units, though demands placed on staff remain high and many staff members are still working overtime to keep the workload current. Moreover, the number of assignments and unit actions expected for FY02 will exceed that for FY01, creating another backlog.

The Division of Oil and Gas strategies are to:

- 1) Issue new leases oil and gas leases three to four months after a lease sale or a shallow gas application is filed;
- 2) To promptly adjudicate lease assignments;
- 3) Keep up with the increasing numbers of unit-related applications;
- 4) Approve only those assignments of interest and unit-related actions that are in the state's best interest; and
- 5) Maximize revenue to the state.

Oil and Gas Development
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Oil & Gas Development	3,489.1	0.0	1,140.9	4,630.0	3,800.3	140.3	1,490.8	5,431.4	4,442.8	141.7	1,504.5	6,089.0
Pipeline Coordinator	514.0	27.1	2,514.3	3,055.4	434.7	40.2	3,371.0	3,845.9	443.9	40.5	3,401.9	3,886.3
Gas Pipeline Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,242.5	2,242.5
Totals	4,003.1	27.1	3,655.2	7,685.4	4,235.0	180.5	4,861.8	9,277.3	4,886.7	182.2	7,148.9	12,217.8

Oil and Gas Development

Proposed Changes in Levels of Service for FY2003

See specific information at component level.

Oil and Gas Development

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	4,235.0	180.5	4,861.8	9,277.3
Adjustments which will continue current level of service:				
-Oil & Gas Development	-107.9	1.4	13.7	-92.8
-Pipeline Coordinator	9.2	0.3	30.9	40.4
-Gas Pipeline Office	0.0	0.0	52.2	52.2
Proposed budget increases:				
-Oil & Gas Development	750.4	0.0	0.0	750.4
-Gas Pipeline Office	0.0	0.0	2,190.3	2,190.3
FY2003 Governor	4,886.7	182.2	7,148.9	12,217.8

Component: Oil & Gas Development

Contact: Mark D. Myers, Director

Tel: (907) 269-8800 **Fax:** (907) 269-8938 **E-mail:** Mark_Myers@dnr.state.ak.us

Component Mission

The mission of the Division of Oil and Gas is to administer oil and gas lands in a manner that assures both responsible oil and gas exploration and development and maximum revenues to the state. (Differs from SLA 2001Ch.90, Section 111)

Component Services Provided

Make prospective lands available for oil and gas exploration, development, and production on a predictable basis.

Administer conventional oil and gas leases, shallow natural gas leases, and exploration licenses, as well as exploration incentive programs.

Maximize the economic and physical recovery of hydrocarbon resources through unitized or cooperative operations.

Ensure that full value is received from the extraction and sale of state resources.

Develop marketing strategies and negotiate agreements for the sale of royalty oil and gas to provide in-state benefits.

Ensure that bonus, rental, license fees, net profit, and royalty payments are correct and received when due.

Ensure that shared federal bonus, rent, and royalties are properly received and allocated.

Ensure that leasehold and unit-related operations are conducted in an environmentally sound manner.

Provide technical and policy support for the Alaska congressional delegation, the Governor's office, the Legislature, and the Commissioner of DNR.

Provide oil and gas-related information to the public and the press through our website or personal contact.

Advocate responsible petroleum development throughout the state.

Component Goals and Strategies

Convey rights to explore for, develop, and produce oil and gas by conducting competitive oil and gas lease sales and issuing oil and gas exploration licenses and shallow natural gas leases.

Initiate and administer programs that encourage responsible exploration and development.

Manage the state's interest in oil and gas lands by monitoring lease and unit operations and accounting for oil and gas rental and royalty payments.

Collect and verify oil and gas revenues through timely and accurate accounting and auditing.

Market royalty oil and gas to maximize state revenues and stimulate economic development.

Negotiate and amend royalty settlement agreements when economically advantageous to the state.

These goals support the Governor's commitment to maintain and enhance competition, diversity, and balance in the exploration, development, and production of Alaskan resources, sustain or increase oil and gas production, and the revenues derived from that production, and ensure that the State's natural resources are developed in an environmentally and socially responsible manner.

Key Component Issues for FY2002 – 2003

The Division of Oil & Gas manages the state's oil and gas resources with a staff of 51, consisting of highly specialized technical experts schooled as geologists, geophysicists, engineers, attorneys, economists, accountants, and natural resource managers, who work as a team but are assigned to six sections: resource evaluation, leasing, lease and unit administration, commercial, royalty accounting, and administration. Together, they brought in more than \$1 billion in FY01. During that same period, and in the four months since, they leased or licensed exploration on millions of acres, implemented the new shallow natural gas leasing program, negotiated agreements for the formation or expansion of seven units and three areas of production within units, oversaw the startup of the Alpine and Northstar fields, augmented royalty and net profit share revenues by auditing lessees and negotiating or amending settlement agreements, initiated proceedings for redetermination of the methodologies used by BP and Exxon in valuing North Slope royalty oil, offered royalty oil for sale and initiated an offering of royalty gas, processed thousands of applications for the assignment of interests in oil and gas leases and verified the financial responsibility of each assignee, and worked with the producers, the governor's policy council, and the legislature on gasoline issues.

As the preceding paragraph suggests, every section of the division experienced an explosion in activity in and since FY01. Major activities occurring in or planned for FY01-FY03 are discussed below by section.

Leasing

North Slope, Beaufort Sea, Foothills, and Cook Inlet areawide lease sales are increasing the number of leases sold annually, as is the new shallow natural gas leasing program (see figure 1).

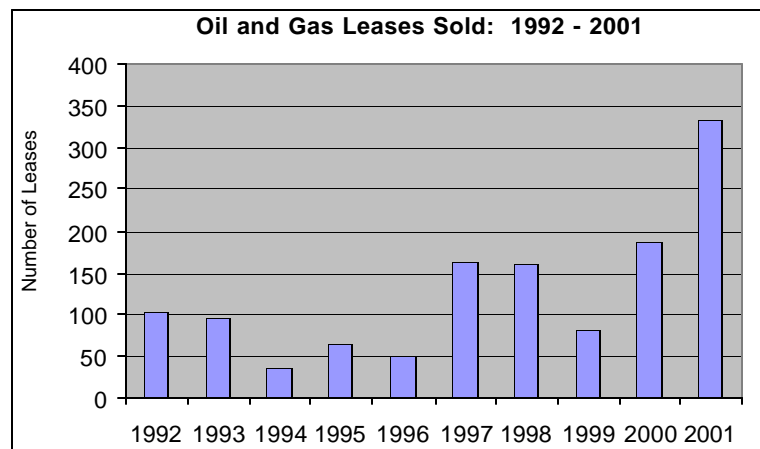


Figure 1

In four areawide lease sales during 2001, the division leased 334 tracts covering 1.6 million acres. The first-ever Foothills lease sale drew bids on 978,560 acres—the most ever in a single lease sale. New companies are participating in the leasing program, and companies that have not participated for a number of years are returning.

As more leases are sold, more leases are issued (see figure 2) and the number of leases being administered increases (see figure 3).

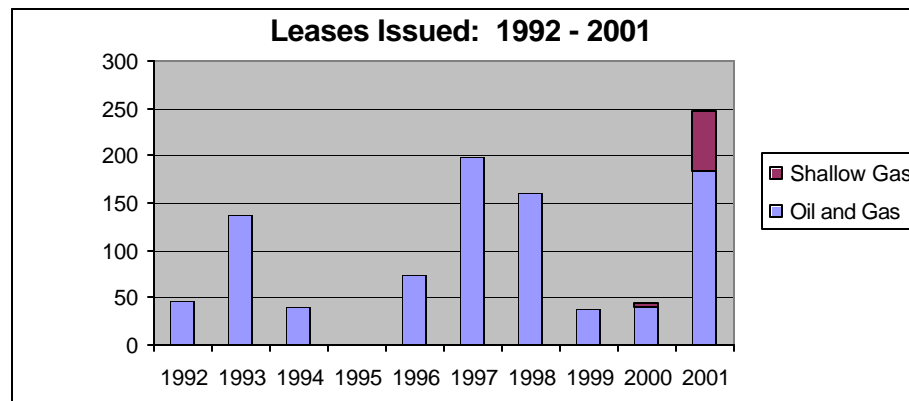


Figure 2

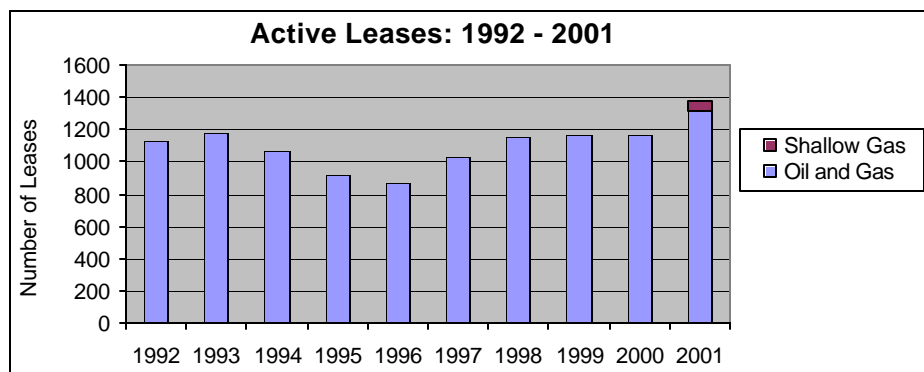


Figure 3

Interest in exploration licensing also continues to increase. The division issued the first exploration license in October 2000 and has proposals for two licenses in the Susitna Valley, west of Willow and Talkeetna, and one for the Nenana basin, located north and west of Nenana. The Susitna licenses will be ready for issuance during the fourth quarter of FY02, and the Nenana license will be issued in FY03. All of these exploration licenses require best interest findings. This program must be supported by geological fieldwork and resource assessments by the division. As a new program with apparent early success, exploration licensing presents the division with previously unscheduled work requirements, most notably title work. The Susitna licenses require title work for nearly 900,000 acres and the Nenana license involves nearly 500,000 acres. Likewise, the shallow gas-leasing program has resulted in over 300 applications, and has required title work on over a million acres. Figures 4 and 5 show the amount of acreage requiring title review work, and the increase in title work due to areawide leasing, exploration licensing and shallow gas leasing.

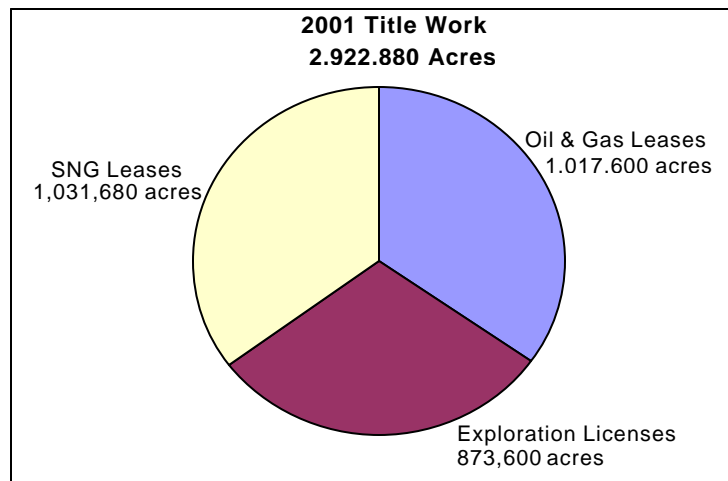


Figure 4

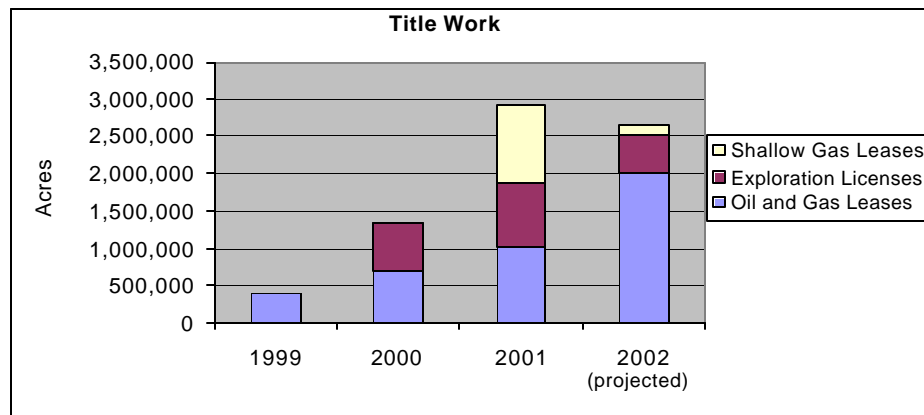


Figure 5

The success of the exploration licensing and shallow gas leasing programs combined with an additional yearly areawide sale (North Slope Foothills) has resulted in a significant increase in title work. During FY 01, the division had more than twice the amount of acreage requiring title work than it did in FY 00, and in FY 00 the division had 3.5 times as much acreage requiring title work than it had in FY 99. This increased workload has meant delays of up to eight months in issuing oil and gas leases bid on in areawide lease sales (see figure 7). This delay carries with it a significant fiscal cost. The state collects twenty percent of bonus bids during a sale; the remaining amount, along with the first year's rental, is paid when the lease is issued. The state is delaying millions of dollars in revenue because of the backlog in title work. For example, leases for North Slope areawide lease sale held in November 2000 were issued one year later, in November 2001. As shown in figure 6, over \$10 million in bonus and rental payments to the state were held back because of this long delay. Additional staff is needed to complete the title work in a timely fashion.

Part of this division's request is an increment for the Oil Safety and Development Initiative. This increment will provide funding for new positions that will assist in the lease issuance process alleviating the backlog and reducing the delay in collecting revenue.

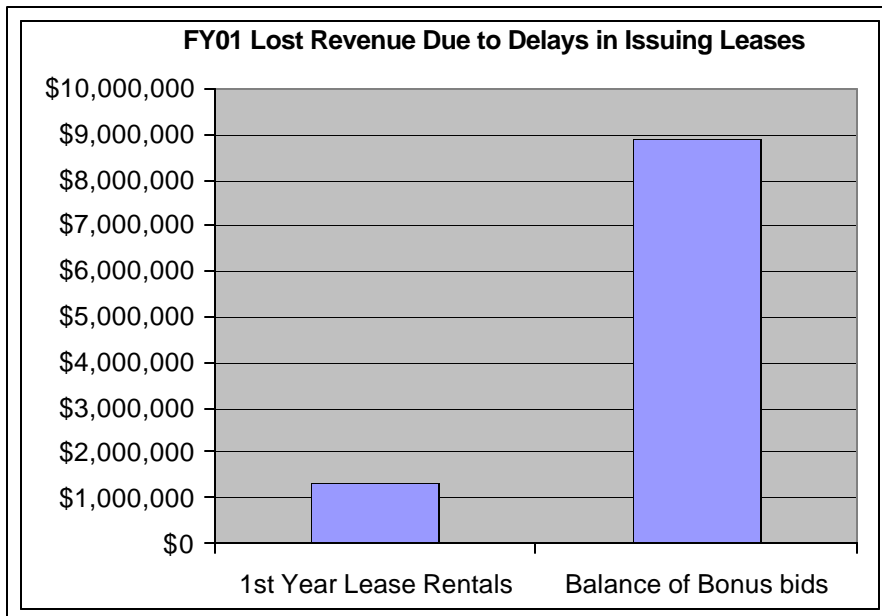


Figure 6

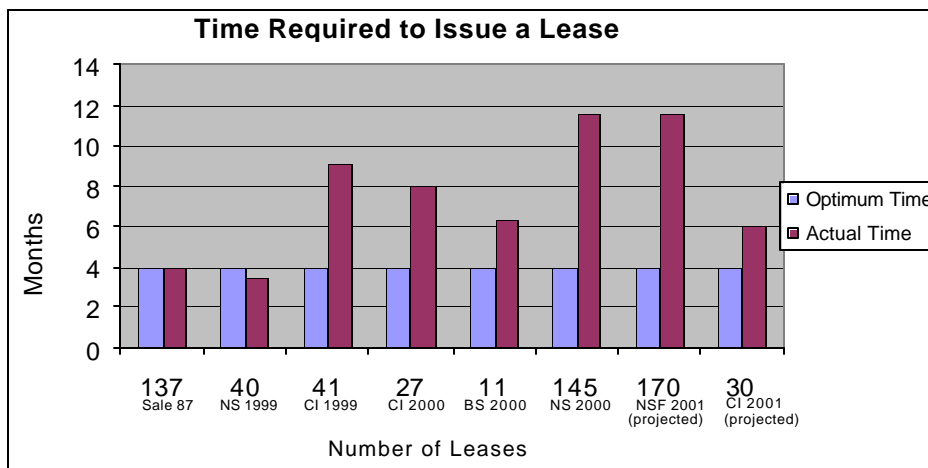


Figure 7

As part of the leasing process, the division continues to review all mitigation measures for competitive lease sales, exploration licensing, and shallow gas leasing, modifying these measures as new concerns arise and the oil and gas industry evolves.

The division must continue to defend its leasing decisions against lawsuits by environmental groups. Although DNR was successful in defending appeals of the best interest findings for Sale 85A, Cook Inlet and Beaufort Sea Areawide, the division anticipates that environmental groups will continue to challenge DNR actions involving oil and gas activities. The division has recently seen increased scrutiny by environmental litigants on its permitting actions.

Concerns over the beluga whale will continue to be an issue in Cook Inlet. The department is under court order to withhold leasing of 126 tracts until the court is satisfied that safeguards are in place to protect the belugas. The department has stated that it would not offer these tracts until subsistence hunters and the National Marine Fisheries

Service (NMFS) have agreed on a co-management plan; such a plan is now in effect. The division is working with the Department of Law to determine whether to petition the court to allow these tracts to be included in the May 2002 lease sale. The division will need to supplement the beluga whale discussion in its 1999 Cook Inlet Areawide best interest finding before these tracts can be offered in a lease sale.

Finally, the division signed a contract with IndigoPool.com to place lease sale and exploration license information on its website in order to reach a broader international market. Through IndigoPool's contacts and proactive marketing, information about the state's leasing and licensing programs is reaching a much wider audience. If funded, the division will be able to continue using IndigoPool, and will also be able to take advantage of the low advertising rates IndigoPool is given by major industry publications, which will increase worldwide exposure. The division's outreach programs including IndigoPool and its promotional booth at two large oil and gas trade conventions (AAPG and SEG) are at least partially responsible for the increase in number of bidders at recent state sales. These companies include large independents such as, Alberta Energy and Burlington Resources, as well as smaller well-financed companies.

Lease Administration and Units

In and since FY01, the division negotiated agreements for the formation of the South East Delta, Slugger, Sakonowak River, and Ninilchik Units, for the expansion of the Prudhoe Bay, Pt. Thomson, and Colville Units, and for the formation of the Aurora, Polaris, and Northstar Participating Areas. The division also oversaw the startup of production at Alpine and Northstar. And the division is currently evaluating applications for the formation of the Cosmopolitan, Deep Creek, and South Ninilchik Units and the Borealis Participating Area.

The division also processed more than a thousand applications for assignment of leasehold interests, many of them occasioned by the realignment of the interests of BP, Phillips, Exxon, and Forest Oil at Prudhoe Bay. In addition, the division is just starting to process assignments for the alignment of interests at Point Thomson. A third wave may be forthcoming as a result of the Chevron-Texaco merger or in the event of global alignment at Prudhoe Bay. Additionally, relatively high oil and gas prices, the potential for a North Slope gas line, and last year's abbreviated North Slope winter exploration program are leading to much greater activity in the division and in the field. Phillips and BP are both projecting production growth of at least 15 percent. BP has publicly stated that they have lowered operating costs at the PBU from \$3.00/bbl to \$1.50/bbl, which should make many more projects economic within that unit. Moreover, the equalization of the majority interests in the Prudhoe Bay leases has spurred an increase in the activity for satellite developments and gas-related projects in the unit. As a result of a number of successful "satellite" wells, the number of unit actions has increased. Although they involve fewer barrels than the major reservoir at Prudhoe Bay, these actions are extremely complex. Much of the new activity occurs at the edges of existing units (which is why they are called satellites) or at the conjunction of two (or more) units and involves commingling of different production streams through common facilities and facility sharing agreements.

Additionally, exploration and development activity will also require more time from the division's permitting group. More projects will have to be reviewed, permitted, and monitored for stipulation compliance. Moreover, the emergent gas-to-liquids technology and ongoing push towards North Slope gas commercialization will increase the permitting and inspection workload due to new developments, pads, pipelines and infrastructure both in Cook Inlet and on the North Slope.

High oil prices, gas prices and declining gas reserves are causing an increase in exploration activity in Cook Inlet. Smaller companies and new companies are showing an interest in drilling exploration wells and operating existing facilities. Smaller and new companies tend to have less experience or resources compared to larger companies. This can slow the permitting process and increase the risk of environmental damage and default under the terms of the oil and gas leases. Staff are spending larger amounts of time educating and guiding these companies through the permitting process and formulating performance bonds to lower risk to the state.

In addition, the shallow gas lease and the exploration license programs are providing an incentive to explore for oil and gas in areas where a significant percent of the surface is owned by private parties. Consequently, more staff time is required to educate the public. Moreover, the relationship between surface and subsurface owners involves complex legal issues that have not yet been fully resolved in Alaska. The uncertainty is resulting in appeals and hearings over the issue of damages and compensation to the surface owner. Staff is spending larger amounts of time on these issues.

Issuance of shallow gas leases may result in new short term drilling activity because the primary term of the lease is three years. To keep the lease beyond that period requires ongoing drilling, drilling a well capable of production or unitization. The state should expect drilling programs and applications to unitize to be proposed very soon after the

leases are issued. Existing Cook Inlet markets and infrastructure improve the economics for shallow gas exploration and production.

The first coal bed methane unit (the Pioneer Unit) has had several wells drilled. Although the division is having some problems, the division hopes to see more progress this year as a new operator, Evergreen, has assumed control in the unit. The Division is prepared to issue our first shallow gas leases but is waiting for a resolution of several appeals on how surface owners rights are to be handled.

As instructed by the legislature in 2001, DO&G is drafting regulations that would outline public notice procedures for DO&G permits not covered by the ACMP.

Resource Evaluation

During FY01 lessees completed nine significant exploration and delineation wells on state lands. Although the results of all these wells have not yet been disclosed it is clear that the state's recoverable oil reserve inventory was increased by more than 150 million barrels during FY01. Particularly significant were the Unocal and Forest Oil successes at the McArthur River and Redoubt Units in Cook Inlet. When brought on-stream these fields will increase present Cook Inlet oil production rates by about 25%. Phillips Alaska, Inc. announced that five of six wells drilled within the NPR-A discovered significant quantities of hydrocarbons there. Although these are not now in production the state will receive half of the federal royalty share when production commences.

As expected in the aftermath of the April 2000 British Petroleum (BP) – Atlantic Richfield (ARCO) – Phillips Petroleum realignments, the resource evaluation section experienced an upturn in activity during FY01. The section expended substantial effort evaluating unit plans of exploration and development as operators sought means of retaining soon-to-expire leases upon which they had delayed activities pending the outcome of the merger realignments. After extensive analysis the section recommended denial of Arco Alaska's (now Phillips Alaska) application for a discovery royalty certification of the Sambuca well (Midnight Sun field). Certification would have resulted in the state's loss of approximately \$23 million in royalty income. Following an appeal and hearing the commissioner upheld the director's denial of the application.

Extensive effort was also dedicated to review of activities and actions proposed by operators of the Point Thomson and Northstar units, the latter involving for the first time shared unit management responsibilities with the federal Minerals Management Service.

Approval of supplemental funds during FY01 allowed the section to quickly initiate the process of acquiring a substantial amount of 2-D and 3-D seismic data, thus reducing the backlog built up in recent years due to lack of funding. These data will allow the division to provide higher quality information to the administration, the legislature, and the public regarding the state's valuable petroleum assets.

Increased seismic exploration on the North Slope is now supporting three independent geophysical companies, two more than in recent years. In addition to the increase in activity in the short run, the division can expect additional wells to be drilled as new exploration targets are identified.

The resurgence of interest in North Slope gas reserves will have a significant impact on the division in the upcoming FY 02 - 03 periods. Only Phillips Alaska, Inc. maintained an active exploration program through the merger period. Both Alberta Energy Company and Anadarko Petroleum Company have disclosed their intent to pursue an active Alaska exploration programs; BP is a partner in some of that work. Higher natural gas prices and growing recognition of a possible future natural gas shortage in South-central has encouraged operators in the Cook Inlet and Kenai Peninsula areas to increase exploration efforts in those areas.

With industry's revitalized exploration effort, the division's involvement in activities in the NPR-A will grow as cooperative agreements with the responsible federal regulatory agencies are implemented. Similarly, joint state-federal management responsibilities are increasing as projects such as Northstar, McCovey and Liberty progress. The possible impact of ANWR remains an unknown. Over the past year the division has provided and continues to expend a significant amount of time and resources in promoting the opening of ANWR for responsible oil and gas exploration and development. Division experts have been deeply involved in the issue at many levels: locally, statewide, nationally and internationally. This has included briefing congressional delegations and other key federal officials, and being interviewed in depth by numerous national and international television, radio, and print media corporations (NBC Nightly News, BBC, Sky Network, CNN, Scientific American, National Geographic, USA Today, and many more). Additionally, the division has

provided key technical illustrations and briefing material to Arctic Power, government agencies, and many national publications. Division staff made five major trips to the North Slope with a total of more than fifty members of the press to explain key technologic, environmental, and geologic issues in support responsible development in the coastal plain.

Commercial

The division's petroleum investments manager, petroleum market analyst, and commercial analysts work with other members of the division in maximizing royalties payable to the state. During FY 01 and FY 02, they initiated proceedings for redetermination of the methodologies used by BP and Exxon in valuing North Slope royalty oil; offered royalty oil for sale and initiated an offering of royalty gas; worked with the producers, the governor's policy council, and the legislature on gasoline issues; and resolved a number of outstanding royalty and net profit share issues with the producers, as more specifically described below.

In the early 1990s the major North Slope oil producers and the state entered royalty settlement agreements that tied each producer's royalty obligation to a market basket of seven crudes. Subsequently, the settlements with BP and Arco (now Phillips) were amended to require royalty payments based on ANS spot prices, except where the market basket of seven crudes and ANS spot differed by more than \$0.50. In late FY 01 the division compared the amounts being paid under these formulae to market value as measured by ANS sales contracts and actual receipts and found the formulae wanting. Consequently, the division has "reopened" the royalty settlement agreements with BP, Exxon, and Phillips to renegotiate a valuation methodology that better reflects the market value of ANS. As of the date of this writing, the division is nearing completion of negotiations with BP; henceforth, BP's royalties will be based on either the ANS spot price or ANS spot + \$0.15/bbl, depending on the terms of the governing lease; however, the division will retain the right to once again reopen the settlement should ANS spot price no longer reflect ANS market value. Negotiations with Exxon are not as advanced, and they also entail issues of transportation costs; if negotiations fail, then the division will proceed to arbitration with Exxon. The reopener with Phillips is currently stayed, but will be reactivated as soon as the manpower is available.

The division continues to supply royalty in-kind (RIK) oil to the Alaska refining industry. Currently, about 41 percent of ANS royalty oil is sold by the division in-kind. Additionally, in response to inquiries from industry, the division offered a portion of its remaining royalty oil in kind in a competitive sale in August 2000. Although the tender yielded no bids, the sale provided the state with important market information and suggested that the state is meeting the current needs of the local refineries, although the expiration of two major ANS RIK oil contracts in 2003 suggests that another offering in 2002 or 2003 may be appropriate.

The commercial section has also devoted many hours to advance the ANS gas pipeline project. Staff has been developing in-house expertise in the marketing of gas and gas liquids in the United States and Canada, transportation economics, and rate-making. They have served both the governor's Alaska highway gas pipeline policy council and the joint legislative committee on gas pipelines. Moreover, in October 2001 they launched an ANS RIK gas sale process that may culminate in sales contracts by the end of FY02.

The remainder of the commercial section's time is devoted to developing regulations on minimum value, evaluating applications for discovery royalty and royalty reduction, and working with the units and resource evaluation sections in developing commercial terms for the formation and expansion of units and participating areas.

Royalty Accounting

With the expansion of the Electronic Data Interchange (EDI) program, several companies are now making royalty (and other) payments, and filing all necessary reports, electronically rather than by the endless stream of paper of the past. More companies will come on-line in FY 02. Ongoing improvements to the automated oil and gas royalty accounting system (OGRA) will provide benefits such as automated value verification, payment reconciliation, digital filing of supplemental documents, and sharing of oil and gas technology, data, and software with other state agencies. The division, working together with the Department of Revenue, will continue to bring oil and gas royalty and net profit share audits more current. Years 1995 through 1999 are under audit in FY 02. Our goal is to see all royalty reports and net profit share payment reports audited within three years of filing.

With realignment at Prudhoe Bay, changes in the accounting for the Initial Participating Area (IPAs) at Prudhoe Bay have been completed, but reporting and accounting for the rest of the unit is still in flux. Some of the volume reporting shows old allocation numbers, and some companies are reporting on the basis of the old ownership percentages, while

others report on the basis of new percentages. Accounting programs are being re-written by the operators, lessees, and the division.

Miscellaneous

Litigation will remain a significant component of the division's workload, draining resources needed to accomplish the division's technical mission.

As with other state agencies, the division staff is aging as long tenure staff members become eligible for retirement. Attrition is expected to take a heavy toll in technical skills and institutional knowledge beginning soon. The loss of institutional knowledge is unavoidable, but will have a tremendously deleterious effect upon the division's ability to efficiently perform its mission - particularly in the areas of unit management, appeals, and litigation.

This year the legislature approved pay increases for the division's exempt employees (director, deputy director, petroleum geologists, petroleum geophysicists, petroleum manager, petroleum market analyst, commercial analysts, and petroleum land managers). These pay increases, which brought exempt employees to parity with their federal counterparts, have stemmed the loss of exempt employees to industry, though their pay still remains below their counterparts in industry. The pay increases have also facilitated hiring of exempt employees. However, pay for the division's non-exempt employees remains low, making it difficult for the division to recruit and retain these employees, especially with the resurgence of industry and the prospect of a gas pipeline.

Major Component Accomplishments in 2001

- 1) Petroleum revenue (royalty and tax) accounted for approximately 81% of general fund unrestricted revenue. Royalty revenue accounted for 35% of the general fund unrestricted revenue. Total royalty, settlement, rental, federal share and bonus revenue was \$1.146 billion. Distribution was as follows: \$798.8 million General Fund, \$331.4 million Permanent Fund, \$9.98 million Constitutional Budget Reserve Fund, and \$5.7 million School Fund. Revenue increased 9.6% from FY 00 to FY 01.
- 2) The North Slope Foothills Areawide oil and gas lease sale resulted in the largest amount of acreage being bid upon in any state lease sale – 978,560 acres. Four lease sales held in 2001 resulted in over 1.6 million acres being leased and the state receiving over \$24 million in bonus bids.
- 3) The Northstar development was permitted in full and the first major sealift was completed. Production commenced on October 31, 2001.
- 4) Alpine was successfully permitted and constructed. Production commenced in November 2000.
- 5) The division resolved a sizeable audit dispute with BP and closed out several long-standing audit claims with other lessees. (Among these are: 1994-1999 BP ANS marine transportation audit; 1992-95 Amerada Hess ANS royalty oil valuation litigation settlement; 1988-1997 Marathon Cook Inlet LNG royalty/transportation audit; 1987-92 Texaco Cook Inlet royalty oil.) Total revenues generated by these settlements equaled \$48 million.
- 6) Geological reviews of industry proposals to establish or modify units, participating areas, and plans of production or operations for the following units, fields, and pools: Alpine, Badami, Borealis, Cannery Loop, Cosmopolitan, Deep Creek, Gwydr Bay, Kenai Unit, Kuparuk, Kookpik, McCovey, Meltwater, Midnight Sun, Milne Point, Ninilchik, North Middle Ground Shoal, North Trading Bay, Northstar, Polaris, Pt. Thomson, Redoubt, Sakonowayak River, SE Delta, South Ninilchik, Slugger, Sterling, Tarn, Tabasco, Tyonek Deep, West Foreland, and West McArthur River.
- 7) The division's units group managed 30 active units and 50 participating areas (PAs) within those units encompassing state lands. Management of the units and PAs included review of plans of development and/or exploration for the units and PAs, negotiation of expansions and contractions to units and PAs; negotiation and monitoring of facility-sharing and production commingling agreements for the new satellites/PAs; DNR representation before various state and federal agencies regarding unitization issues; response to inquiries from the legislature, public, and the oil and gas industry regarding unitization issues; and negotiation of new unit agreements and other complex agreements regarding the development of oil and gas on state lands. Unit and PA activity levels increased after BP-ARCO merger was approved by the Federal Trade Commission.

- 8) Issued 183 oil and gas leases and 65 shallow gas leases.
- 9) Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
- 10) The division provided comments to the BLM regarding the proposed unitization rule for NPR-A. Further rounds with comments are expected on the promulgation in unitization rules for NPR-A.
- 11) The division completed negotiations with BP regarding outstanding disagreements over the calculation of ANS royalty oil value. The resulting amendments to the BP and ARCO ANS Royalty Settlement Agreements resolve ANS royalty oil value issues for the period ending December 1999.
- 12) The Alaska Supreme Court affirmed the first legal challenge of the 1994 amendment to AS 38.05.035(e) allowing phased oil and gas lease sales. The Supreme Court also affirmed the best interest finding for Sale 85A, Cook Inlet, commenting in the opinion on the thoroughness of the DO&G finding.
- 13) Subsequent to the Supreme Court decision on Sale 85A, Cook Inlet, Trustees for Alaska dismissed its November 2000 Supreme Court appeal of the Beaufort Sea Areawide best interest finding.
- 14) The division conducted the first competitive royalty oil sale in 14 years. Although the sale attracted no bidders, streamlined sale procedures were adopted to make it possible to conduct sales in the future with less lead-time.
- 15) Continued "partnering" with the federal Minerals Management Service in management and oversight of jointly-owned lands in the Northstar Production Unit and the McCovey Exploration Unit. The division also "partnered" with the federal Bureau of Land Management on issues regarding management of several jointly-owned fields in the Cook Inlet/Kenai region and continued to attempt to implement a similar procedure in the event that NPR-A and state lands are combined in units in the future. In similar fashion, the division worked in close partnership with the Arctic Slope Regional Corporation to bring the Alpine field into production.
- 16) Substantial effort was made to evaluate, but ultimately deny, the proposal by ARCO Alaska, Inc. to certify the Sambuca No. 1 well as a discovery royalty well. Similarly, a Unocal proposal for an expansive participating area in the North Middle Ground Shoal unit was denied. Both are in litigation.
- 17) Division staff participated in geological field programs investigating the hydrocarbon potential of the NPR-A and North Slope Foothills in support of both proposed lease sales and the North Slope gas pipeline supply studies.
- 18) The content of the division's website was expanded; the website has proved to be a very successful means of distributing information to industry and the public.
- 19) Electronic reporting of oil and gas royalty reports was implemented for eighteen companies including full implementation using Electronic Data Interchange (EDI) for two of those companies.
- 20) The division participated in interdisciplinary meetings of state resource agencies (DGC, DNR, DEC, and F&G) addressing issues such as clean-up in broken ice and the critical issue of abbreviated winter drilling seasons.
- 21) The division worked with the legislature to amend AS 38.05.035(e), clarifying the requirement of a single written best interest finding for a disposal of an interest in state land or resources.
- 22) As a result of changing and added missions as well as gas pipeline related work demands, the division have re-classed several positions to commercial analysts and are in the process of hiring an additional geologist and a petroleum land manager.
- 23) There were 1,465 square miles of 3D seismic shot on the North Slope, about 3½ times the amount shot the previous year. A new geophysical exploration company, PGS Onshore, began operations on the North Slope, bringing the number of active companies to three.
- 24) Prudhoe Bay West End (aka Northwest Eileen) development was permitted and two new drill sites and related pipelines constructed.

- 25) Twenty-five winter exploration well approvals were issued.
- 26) The Meltwater North field development in the Kuparuk River Unit was permitted.
- 27) Continue to diligently audit oil and gas royalty payers and royalty-in-kind purchasers.
- 28) Continue to work with effected landowners who own property overlying state oil and gas leases proposed for exploration and/or development.
- 29) Process 1356 oil and gas lease assignments.

Statutory and Regulatory Authority

Alaska Const.art.VIII, sec.1-2

AS 38.05.130
AS.38.05.131
AS 38.05.135
AS.38.05.134
AS 31.05.035
AS 38.05.020
AS 38.05.030
AS 38.05.035
AS 38.05.137
AS 38.05.145
AS.38.05.177
AS 38.05.181
AS 38.05.182
AS 38.05.183
AS 38.06
AS 41.06
AS 44.19
AS 46.40
6 AAC 50
11 AAC 02
11 AAC 82.115 - 82.815
11 AAC 82.903 - 82.990
11 AAC 83.301-83.393
11 AAC 83.810
11 AAC 83.815
11 AAC 83.1020
11 AAC 89.090
11 AAC 96.210 - 96.240

Oil & Gas Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,864.5	4,643.8	5,253.0
72000 Travel	62.5	139.4	195.8
73000 Contractual	322.1	477.7	409.7
74000 Supplies	173.8	128.9	163.9
75000 Equipment	207.1	41.6	66.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,630.0	5,431.4	6,089.0
Funding Sources:			
1002 Federal Receipts	0.0	140.3	141.7
1004 General Fund Receipts	3,440.8	3,750.7	4,392.5
1005 General Fund/Program Receipts	48.3	49.6	50.3
1007 Inter-Agency Receipts	22.1	0.0	0.0
1053 Investment Loss Trust Fund	14.8	0.0	0.0
1055 Inter-agency/Oil & Hazardous Waste	2.5	20.0	20.0
1061 Capital Improvement Project Receipts	30.5	15.4	15.7
1105 Alaska Permanent Fund Corporation Receipts	1,065.5	1,455.4	1,468.8
1108 Statutory Designated Program Receipts	5.5	0.0	0.0
Funding Totals	4,630.0	5,431.4	6,089.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	149.8	82.0	82.0	50.0	50.0
Unrestricted Fund	68515	1,145,906.1	868,784.3	868,783.8	812,638.6	908,177.6
Unrestricted Total		1,146,055.9	868,866.3	868,865.8	812,688.6	908,227.6
Restricted Revenues						
Federal Receipts	51010	0.0	140.3	140.3	141.7	150.0
Interagency Receipts	51015	22.1	0.0	28.7	0.0	0.0
General Fund Program Receipts	51060	48.3	49.6	49.6	50.3	50.3
Statutory Designated Program Receipts	51063	5.5	0.0	0.0	0.0	0.0
Capital Improvement Project Receipts	51200	30.5	15.4	15.4	15.7	15.7
Interagency Recs./Oil & Hazardous Waste	51395	2.5	20.0	5.0	20.0	20.0

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Restricted Total		108.9	225.3	239.0	227.7	236.0
Total Estimated Revenues		1,146,164.8	869,091.6	869,104.8	812,916.3	908,463.6

Oil & Gas Development

Proposed Changes in Levels of Service for FY2003

Changes in services are:

- 1) Due to competitive areawide leasing, the addition of the exploration license program, and the unexpected popularity of the shallow gas-leasing program, it is currently taking the division up to a year to conduct title reviews and issue leases. With additional title staff requested in the **Oil Safety and Development Initiative**, the division's goal is to be able to issue leases 3-4 months following a lease sale or receipt of application.
- 2) Shallow gas leases are currently being issued in areas where there are dense numbers of surface owners. This could lead to potential conflicts between surface owners and industry, which can be mitigated, in part, through public education and the division taking a more visible role in conducting on-site inspections. With additional staff requested in the **Oil Safety and Development Initiative**, the division expects to be more proactive in conducting inspections on the Kenai Peninsula and the Mat-Su Valley.
- 3) Full implementation of **electronic (EDI) royalty reporting and payment** will allow staff to focus more on value and volume verification and audit and less on data entry. It will also make the royalty value and volume data base standardized and available in digital format to all division staff for analysis and research purposes.
- 4) **The Shallow Natural Gas Leasing** program was originally intended to encourage exploration in rural areas where fuel costs are currently subsidized. The division is experiencing interest in developing shallow gas to compete in the commercial market as well as providing mine-mouth energy sources. If successful, this program could reduce mine operating costs in Alaska dramatically. This program will bring added costs and resource commitments to the division since it will involve communities not previously involved with oil and gas activity.
- 5) The division continues to manage costs by eliminating display ads for lease sales; reducing the amount of travel to the North Slope for public hearings; conduct hearings via teleconference; rely only on division's website to disseminate information; no longer print excess copies of the Five-Year Oil and Gas Leasing Program, and decrease volume of mail-outs.
- 6) The division's increased inventory of state-of-the-art 3D seismic data and enhanced capability to utilize those data should further improve the division's ability to monitor exploration and development activities throughout the state.
- 7) Statute and regulations dictate the activities and actions of the Unitization Section. Given the current level of funding and the prospect of further delays in the processing of unit, participating area applications and requests the division is struggling with increased workload demands. Review and analysis of the complex issues involved in satellite developments could suffer as the industry demands expedited approval for these projects. Already important development applications and approval requests for North Slope projects are taking more time to complete.
- 8) The division is seeing an increase in workload in response to the BP Amoco-ARCO merger. Lease administration will have to process lease assignments, units management activities will increase as new producers initiate new exploration and development programs, and permitting will have to respond to new construction proposals.
- 9) New markets for royalty gas may arise as producers, pipeline owners, and new entrants in the state's oil and gas industry plan for a **gas pipeline**.
- 10) Increase data accessibility on the Internet. Move towards establishing all permits and applications to be available on the Internet, as well as an **e-commerce system** for permit applications, fees, assignments and revenue billing.
- 11) Streamline the lease assignment process to be more efficient and provide an effective mode for reliable **electronic data transfer and exchange** between different sections, agencies, applicants and the public.
- 12) Oil and gas data and general information are being made available to the public and other agencies on the division's website. Fewer printed publications will be available over the counter.

- 13) Establish a cost effective Internet connection and e-mail system for the Prudhoe Bay office.
- 14) The division has reviewed BP, Exxon, and Phillips oil sales contract information and determined that existing royalty settlement formulas undervalue ANS royalty oil. Substantial staff time is being devoted to **reopening royalty settlement agreements** with these companies and renegotiation appropriate valuation methodologies.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	3,800.3	140.3	1,490.8	5,431.4
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	47.1	1.4	13.7	62.2
-Reduce One-Time Item Funding for Gas Pipeline Marketing Study Sec 11(a) CH3 SLA2001	-75.0	0.0	0.0	-75.0
-Reduce One-Time Item Funding for Gas Pipeline Supply Study Sec 11(b) CH3 SLA2001	-30.0	0.0	0.0	-30.0
-Reduce One-Time Item Funding for Gas Pipeline Reservoir Study Sec 11(c) CH3 SLA2001	-50.0	0.0	0.0	-50.0
Proposed budget increases:				
-Royalty Valuation - Pipeline Analyst and Support Positions	250.4	0.0	0.0	250.4
-Oil Safety & Development Initiative	500.0	0.0	0.0	500.0
FY2003 Governor	4,442.8	141.7	1,504.5	6,089.0

Oil & Gas Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	55	62	Annual Salaries	4,222,621
Part-time	0	0	COLA	49,170
Nonpermanent	3	5	Premium Pay	0
			Annual Benefits	1,305,868
			<i>Less 5.82% Vacancy Factor</i>	(324,659)
			Lump Sum Premium Pay	0
Totals	58	67	Total Personal Services	5,253,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	4	0	0	0	4
Accountant V	1	0	0	0	1
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	2	0	0	0	2
Accounting Tech II	1	0	0	0	1
Administrative Clerk II	4	0	0	0	4
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Analyst/Programmer III	1	0	0	0	1
Analyst/Programmer IV	3	0	0	0	3
Cartographer II	1	0	0	0	1
Chief Petroleum Geologist	1	0	0	0	1
Commercial Analyst	3	0	0	0	3
Division Director	1	0	0	0	1
Geographic Info Specialist	1	0	0	0	1
Geologist II	1	0	0	0	1
Geologist III	1	0	0	0	1
Land Surveyor I	1	0	0	0	1
Natural Resource Mgr I	2	0	0	0	2
Natural Resource Mgr II	3	0	0	0	3
Natural Resource Off I	2	0	0	0	2
Natural Resource Off II	6	0	0	0	6
Natural Resource Tech II	2	0	0	0	2
Operations Res Anl I	1	0	0	0	1
Petroleum Geologist I	1	0	0	0	1
Petroleum Geologist II	5	0	0	0	5
Petroleum Investments Manager	1	0	0	0	1
Petroleum Land Manager	1	0	0	0	1
Petroleum Manager	1	0	0	0	1
Petroleum Market Analyst	1	0	0	0	1
Petroleum Reservoir Engineer	2	0	0	0	2
Revenue Auditor IV	3	0	0	0	3
Revenue Auditor V	1	0	0	0	1
Senior Petroleum Land Manager	1	0	0	0	1
Student Intern I	5	0	0	0	5
Totals	67	0	0	0	67

Component: Pipeline Coordinator

Contact: John Kerrigan, State Pipeline Coordinator

Tel: (907) 271-4304 **Fax:** (907) 272-0690 **E-mail:** jkerriga@jpo.doi.gov

Component Mission

To encourage the development of petroleum pipelines on State land that make a significant contribution to the general welfare of the people of Alaska, and to encourage excellent operations of those pipelines.

Component Services Provided

State Pipeline Coordinator Office (SPCO) provides right-of-way leases for petroleum pipelines on State lands, administers the rights-of-way under our jurisdiction, oversees the operations of the pipelines on those rights-of-way, and informs stakeholders of the results of our adjudication, administration, and oversight activities.

Component Goals and Strategies

1. Process applications, and negotiate and deliver Right-of-Way Leasing Act leases, in a manner that serves the State's interests.
2. Administer leases under our jurisdiction, including oversight of the construction, operation, maintenance and termination of pipelines on the leases.
3. Coordinate our oversight of TAPS with the U.S. Bureau of Land Management, so that TAPS remains available to bring North Slope crude to market.
4. Keep the public informed of our activities.

Key Component Issues for FY2002 – 2003

- The right-of-way lease for TAPS, for a large number of facilities ancillary to TAPS, and for five common carrier pipelines on the North Slope, expire in less than three years, and the renewal processes are beginning.
- Pending are assignments for the Alpine Oil Pipeline Right-of-Way Lease and Milne Point pipeline right-of-way leases. Also pending are guaranties for the Milne Point pipelines, Northstar pipelines, Badami pipelines, and Endicott Pipeline.
- Working with the Lessees on the as-builts for Badami, Alpine and Northstar as required in the AS 38.35 pipeline right-of-way leases.
- Pending is an application from BP for the Liberty Pipelines for AS 38.35 pipeline right-of-way leases.
- Pending is the filing of an AS 38.35 right-of-way lease application for a proposed gas pipeline, Kenai-Kachemak Pipeline. The proposed pipeline will be approximately 90 miles long. Two spurs are planned. A seven-mile pipe will connect the Deep Creek gas field to the Kenai-Kachemak Pipeline. A four-mile portion will connect the Kasilof wells to the pipeline.
- Working with the Lessees on Kuparuk Extension, Kuparuk, Oliktok, Endicott, and Milne pipelines to renew their right-of-way leases, which expire in May of 2004.
- Continuing workload on the administration of the operation of one (1) AS 38.05 Grant of Right-of-Way, and 17 issued AS 38.35 Right-of-Way Leases and additional grants of right-of-ways for access roads and communication sites that support the operation of TAPS.
- Continuing workload on the administration of the maintenance activities through the issuance of material sale contracts, land use permits, temporary water use permits, authorizations, construction authorizations, notices to proceed, etc., which support those maintenance activities of the AS 38.35 Right-of-Way Leases and the AS 38.05 Grants of Right-of-Way.
- Continuing surveillances on the State material sites supporting the TAPS Right-of-Way Lease.
- Managing our workforce and organization to accommodate these and other changes is our largest issue, particularly given the multi-agency structure within which we work.

Major Component Accomplishments in 2001

- Six right-of-way leases have been executed in the last two years, reducing the number of pending applications and increasing the number of pipeline operations that we oversee to 18.
- Approved amendment to Northstar Gas Pipeline Construction Plan for the installation of a fiber optic cable.
- Executed releases of the ARCO guaranties for the pipeline right-of-way leases, which were held by ARCO and have been transferred to Phillips Petroleum Company.
- Executed the Milne Point Products Pipeline Right-of-Way Lease and approved the construction plan.
- Approved the Sagavanirktok River Restoration Plan for the Badami Project.
- Processed non-objection request on projects within existing AS 38.35 pipeline rights-of-way.
- Sent a request for reappraisal of ANGTS Right-of-Way Grant to the State Appraiser for her review.
- Approved the Nuiqsut Natural Gas Pipeline Construction Plan for Phase II of the construction activities.
- Worked with BPTA on a resolution to the shifting TVA vibration dampers on the Badami 6 inch Utility Pipeline.
- During FY2001, we issued five material sale contracts, five land use permits, and one temporary water use permit. We also issued two Notices to Proceed, 18 Off Right-of-Way Authorizations, and seven waivers to the JPO Brushing Policy.
- Conducted Surveillances on 27 State Material Sites, which support the operation and maintenance activities of the TAPS Right-of-Way Lease. These surveillances are combined into a joint Annual Assessment Report for the office on 66 TAPS State/Federal material sites. This report addresses the lessee's compliance with the material sale contracts, TAPS Right-of-Way Lease, and mining and reclamation laws and regulations.
- The State Pipeline Coordinator issued an order to Alyeska Pipeline Service Company to construct a revetment on the east bank of The Middle Fork Koyukuk River at PLMP 229.9 before spring breakup.
- Worked with the Technical Data Management & Support Section of the Division of Mining, Land & Water on 21 as-built drawings. These as-built drawings represent pending amendments to the TAPS Right-of-Way Lease for cathodic protection systems and river training structures.
- Annual inspections of the 26 material sites on State land used by Alyeska were conducted.
- In 1996/97, JPO and Alyeska agreed to a schedule to test mainline valves for internal leak through. Several valves have been repaired or replaced as a direct result. Remote Gate Valve 39 is to be repaired or replaced by the end of 2002. Periodic testing of TAPS valves will occur according to the schedule and procedures contained in the TAPS Valve Maintenance Management Plan.
- The TAPS owners submitted applications to renew the right-of-way Grant and Lease. December 2002 is our target date to complete all processes including the Commissioner's Determination.
- The SPCO participated in six scoping meetings.
- Closed an order to Alyeska to clean and inspect tanks and develop interim contingency measures at the Valdez Marine Terminal.
- Issued Comprehensive Monitoring Plan Reports on TAPS Operations, Construction, and Maintenance.
- Completed our investigation of the August 16, 2000 fatality at the Valdez Marine Terminal.
- Directed Alyeska to establish and implement standardized controls of heavy equipment parked on the ready line and identified several areas for improvement.
- Welcomed the Minerals Management Service to the JPO family. There are now 13 participating agencies.
- Oversaw the successful repair of several bullet holes in TAPS, including one that resulted in a puncture. Surveillance will continue throughout the clean-up process.
- Signed a Statement of Intent with the Prince William Sound Regional Citizens Advisory Council to improve lines of communication and working relationships and eliminate "surprises" when possible.
- Released the 1999-2000 JPO Annual Report.

Statutory and Regulatory Authority

AS 27.19 Mining Reclamation
 AS 38.05 Alaska Land Act
 AS 38.35 Right-of-Way Leasing Act
 AS 46.15 Alaska Water Use Act
 AS 46.40 Alaska Coastal Zone Management Program

6 AAC 50 Alaska Coastal Zone Management Program
 11 AAC 51 Public Easements
 11 AAC 53 Records, Survey, Platting
 11 AAC 71 Timber and material Sites

11 AAC 80 Pipeline Rights-of-Way
11 AAC 96 Miscellaneous Land Use
11 AAC 97 Mining Reclamation

43 CFR 2880

Pipeline Coordinator

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,489.1	1,738.3	1,977.7
72000 Travel	72.1	188.0	188.0
73000 Contractual	1,282.1	1,839.8	1,640.8
74000 Supplies	62.9	71.8	71.8
75000 Equipment	149.2	8.0	8.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,055.4	3,845.9	3,886.3
Funding Sources:			
1002 Federal Receipts	27.1	40.2	40.5
1004 General Fund Receipts	124.3	0.0	0.0
1005 General Fund/Program Receipts	389.7	434.7	443.9
1007 Inter-Agency Receipts	11.1	21.3	21.4
1053 Investment Loss Trust Fund	7.3	0.0	0.0
1108 Statutory Designated Program Receipts	2,495.9	3,349.7	3,380.5
Funding Totals	3,055.4	3,845.9	3,886.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	359.5	0.0	350.0	350.0	350.0
Unrestricted Total		359.5	0.0	350.0	350.0	350.0
Restricted Revenues						
Federal Receipts	51010	27.1	40.2	36.6	40.5	40.5
Interagency Receipts	51015	11.1	21.3	14.1	21.4	21.4
General Fund Program Receipts	51060	389.7	434.7	434.7	443.9	443.9
Statutory Designated Program Receipts	51063	2,495.9	3,349.7	3,276.3	3,380.5	3,380.5
Restricted Total		2,923.8	3,845.9	3,761.7	3,886.3	3,886.3
Total Estimated Revenues		3,283.3	3,845.9	4,111.7	4,236.3	4,236.3

Pipeline Coordinator**Proposed Changes in Levels of Service for FY2003**

Staff will move from lease application processing to renewal application processing, construction and operations oversight.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	434.7	40.2	3,371.0	3,845.9
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	9.2	0.3	30.9	40.4
FY2003 Governor	443.9	40.5	3,401.9	3,886.3

Pipeline Coordinator

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	23	23	Annual Salaries	1,548,595
Part-time	0	0	COLA	38,799
Nonpermanent	7	9	Premium Pay	0
			Annual Benefits	494,550
			<i>Less 5.01% Vacancy Factor</i>	(104,244)
			Lump Sum Premium Pay	0
Totals	30	32	Total Personal Services	1,977,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Data Processing Mgr I	1	0	0	0	1
Dep St Pipeline Coord Engrng	1	0	0	0	1
Engineer/Architect IV	1	0	0	0	1
Habitat Biologist IV	1	0	0	0	1
Information Officer III	1	0	0	0	1
Micro/Network Tech II	1	0	0	0	1
Natural Resource Manager II	2	0	0	0	2
Natural Resource Mgr I	3	0	0	0	3
Natural Resource Mgr II	1	0	0	0	1
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Off II	4	0	0	0	4
Pipe Line Coordinator	1	0	0	0	1
Records Analyst I	1	0	0	0	1
Secretary	1	0	0	0	1
Student Intern I	2	0	0	0	2
Student Intern II	3	0	0	0	3
Student Intern III	1	0	0	0	1
Taps Renewal Coordinator	1	0	0	0	1
Tech Eng I / Architect I	1	0	0	0	1
Totals	32	0	0	0	32

Component: Gas Pipeline Office

Contact: Bill Britt, Gas Pipeline Coordinator

Tel: (907) 263-0406 **Fax:** (907) 276-0437 **E-mail:** bbritt@jpo.doi.gov

Component Mission

No mission statement.

Component Services Provided

No services provided.

Component Goals and Strategies

No goals and strategies.

Key Component Issues for FY2002 – 2003

The Gas Pipeline Coordinator's Office start-up in FY02 was much slower than originally anticipated. Better estimates of FY02 and FY03 needs will be worked out with OMB, LB&A and the producers groups during December. Adjustments to the FY03 budget request will follow as budget amendment items.

Major Component Accomplishments in 2001

No major accomplishments.

Statutory and Regulatory Authority

No statutes and regulations.

Gas Pipeline Office

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	2,242.5
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	2,242.5
Funding Sources:			
1007 Inter-Agency Receipts	0.0	0.0	0.0
1061 Capital Improvement Project Receipts	0.0	0.0	2,242.5
Funding Totals	0.0	0.0	2,242.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Capital Improvement Project Receipts	51200	0.0	0.0	0.0	2,242.5	2,242.5
Restricted Total		0.0	0.0	0.0	2,242.5	2,242.5
Total Estimated Revenues		0.0	0.0	0.0	2,242.5	2,242.5

Gas Pipeline Office

Proposed Changes in Levels of Service for FY2003

No service changes.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	52.2	52.2
Proposed budget increases:				
-Add authorization for Gas Pipeline Office positions	0.0	0.0	2,190.3	2,190.3
FY2003 Governor	0.0	0.0	2,242.5	2,242.5

Gas Pipeline Office

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	0	39	Annual Salaries	1,578,748
Part-time	0	0	COLA	41,359
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	622,405
			Less 0.00% Vacancy Factor	(12)
			Lump Sum Premium Pay	0
Totals	0	39	Total Personal Services	2,242,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	9	0	0	0	9
Administrative Clerk III	4	0	0	0	4
Administrative Manager I	1	0	0	0	1
Data Processing Mgr I	1	0	0	0	1
Dep Gas Pipeline Coord Liason	1	0	0	0	1
Dep Gas Pipeline Coordinator	1	0	0	0	1
Engineer/Architect IV	1	0	0	0	1
Gas Pipeline Coordinator	1	0	0	0	1
Information Officer III	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Natural Resource Mgr II	2	0	0	0	2
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Off II	9	0	0	0	9
Procurement Spec II	1	0	0	0	1
Records Analyst I	1	0	0	0	1
Secretary	1	0	0	0	1
Special Assistant	1	0	0	0	1
Tech Eng I / Architect I	1	0	0	0	1
Totals	39	0	0	0	39

Minerals, Land, and Water Development Budget Request Unit

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

BRU Mission

See specific information at component levels.

BRU Services Provided

See specific information at component levels.

BRU Goals and Strategies

See specific information at component levels.

Key BRU Issues for FY2002 – 2003

See specific information at component levels.

Major BRU Accomplishments in 2001

See specific information at component levels.

Key Performance Measures for FY2003

Measure:

Claims, Permits & Leases - The number of leases and permits issued for public and private use of state land.
Sec 112(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The Division operates 31 separate programs, most of which involve a permit, lease, or other authorization. The Division reports specific performance measures for each program on a separate report too large to include here. Detailed spreadsheets on these measures are available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Benchmark Comparisons:

No specific benchmarks are provided as each of the many different types of permits and leases are unique.

Background and Strategies:

The strategy is to provide more revenue to the state than it cost this program to operate. Put another way, the Division more than pays itself. Its operations provide a return to the general fund and deposit money into the permanent fund. (Revenues included in this calculation do not include those that occur through another department or division: i.e., taxes of any sort, oil and gas royalties, timber stumpage fees, etc.)

Measure:

Claims, Permits & Leases - The number of private-sector jobs created by the issuance of new permits for mining.
Sec 112(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The most recent year for which data is available is calendar year 2000. At that time mine employment was 3,183 private sector mining jobs.

Benchmark Comparisons:

There is no benchmark for this measure.

The Division's role in creating private-sector mining jobs is to provide secure land tenure for the industry, and to maintain a high quality permitting system that is efficient for the industry, protects public resources and appropriately involves the public in decisions that affects them. One of the Division's successes last year was to decrease the processing time for new mineral locations from an unacceptable 12-week time to just two weeks. This improvement in service increases the industry's ability to rely on state information to maintain their land tenure, and create more jobs.

Measure:

Land Sales & Municipal Entitlements - The number of acres of land conveyed to municipalities compared to total municipal entitlement.

Sec 112(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 01, DNR transferred 16,677 acres to 10 municipalities. In FY 02 DNR expects to transfer at least 12,000 acres to municipalities. However, assuming a proposed increment to the municipal entitlement program is funded, during FY 03 the department expects to begin accelerating municipal entitlement transfers. If this occurs, the DNR estimates that it will transfer 60,000 acres to 12 municipalities in FY 04 and subsequent years.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

This program transfers state land to municipalities for development, disposal, revenue generation and public purposes. Tasks include: determine acreage of entitlements under AS 29.65, approve municipal selections, issue deeds to municipalities, and identify and classify land for municipal ownership.

Having a secure land base is an important economic development tool for municipalities, and not knowing the eventual land ownership patterns can frustrate development generally. At present rate of conveyance, 12,000 acres per year, DNR will not complete conveyance on the 600,000-acre backlog for approximately 50 years.

An increment is being proposed to fund a comprehensive, public process to determine what land should be reclassified and made available for borough ownership. The six boroughs with the major entitlements backlog are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat. DNR would use added staff to process the borough's selections and revise land use plans to enable additional lands to be conveyed to these boroughs. The three existing municipal entitlement staff are processing higher priority parcels; the existing planning staff are assigned to priority planning projects that enable development in unplanned areas of the state. With this increment, DNR would transfer management of 60,000 acres to these boroughs beginning in FY 04. This would allow DNR to eliminate the present backlog within the decade.

Measure:

Land Sales & Municipal Entitlements - The percentage change in the number of acres of land sold and the revenue generated from land sales and leases.

Sec 112(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 02, the Division offered 2,410 subdivision lots (re-offers of parcels previously surveyed), and 297 remote recreation cabin sites. In addition, 170 subdivision lots remained available for purchase "over-the-counter" from previous years. In total FY 02 was approximately a 1000% increase from FY 01(294 parcels offered in FY01, 2710 parcels offered in FY02). In FY 03, the Division expects to offer a similar amount again: approximately 2,500 subdivision lots and 250 remote recreation cabin sites. In addition, surveyed parcels that remained unsold from FY 02 will remain available for purchase "over-the-counter" at DNR.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

This program makes land available for private ownership. Tasks include: Offer new land for sale; identify and classify

additional lands for private ownership; and administer land sale contracts for lands previously offered. In FY 03, the Division expects to generate \$2.8 million from land sales, which is more than pays for the program and will provide a return to Alaskans.

Measure:

Water Development - The number of water right files processed as compared to the number of water rights applied for. Sec 112(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 01, the Division was unable to process all of the water right applications it received. Specifically, the Division received approximately 250 applications and was able to process only 100. The Division was able to process all 151 temporary water applications it received. In FY 01, the Division had a backlog of between 600 and 700 water right applications, and approximately 3,000 total actions (including amendments, transfers, extensions, etc.). As a result of the funding changes made by the 2001 legislature, the Division expects to achieve the following performance goals before the start of FY 03: process the typical water right within 60 days and the typical temporary water use permit within 20 days. Within 5 years, the Division expects to eliminate of the backlog except for instream flow applications. The Division expects to process 2-3 instream flow applications each year.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

To meet the performance goals described above, the Division will, in FY02, use the funding supplied by the 2001 legislature, to adopt streamlining regulations to allow it to conduct its water management operations more efficiently, and will promulgate new fee regulations.

Measure:

Water Development - The percentage change in the number of periodic dam safety inspections. Sec 112(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 01, the Division completed 7 periodic safety inspections. It expects to complete 11 in FY 02, and 12 in FY 03. These numbers represent is a 57% increase from FY 01 to FY 02, and a 9% increase to FY 03. However, the increase does not necessarily represent an increase in efficiency. Periodic safety inspections are scheduled by statute. Thus, seven dams had their periodic safety inspection come due in FY 01, eleven in FY 02, and one more in FY 03.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Authorizations and inspections are the basic tools to insure that dams under state jurisdiction remain safe and protect downstream life and property.

Measure:

Claims, Permits & Leases - The percentage change in the number of active placer, lode, and coal mines and the number of mining locations staked and processed. Sec 112(b)(7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Placer mines: During the 2000 calendar year, 346 were permitted; 2001 calendar year, 301 were permitted (a 13% decrease); in calendar year 2002 we expect approximately the same number of placer mines.

In FY 00, there were 3 large (lode) mines operating in the state: Greens Creek, Red Dog, and Fort Knox. In FY 01, the Illinois Creek Gold Mine resumed operation, and the division approved permits for the True North Gold Mine, a satellite mine to Fort Knox. In FY 02, the Division may approve revisions that extend the area or life of mine plans, but it does not expect applications or approvals for new large mines. In FY 03, the Division expects to finish permitting for

the Pogo Mine Project.

In FY 01, the Usibelli complex had three operating coal mines. There was no change from FY 00. In FY 03, the Division expects to finish permitting for the new Rosalie Coal Mine near Healy.

The number of new mining claims no longer accurately reflects the amount of staking activity. Since the legislature's 2000 amendments to Alaska's mining law became August 2000, miners have had the ability to stake either 40-acre or 160-acre claims. For that reason, the *number* of claims no longer accurately reflects the amount of new staking activity. New claim *acreage* is a better indicator. Acreage staked is not yet available for FY 01. The information is being compiled and should be available by the start of the legislative session.

The number of new and total claims by calendar year is listed below. The information is taken from Table 5 of the *Alaska Mineral Industry 2000* published by DNR in cooperation with the Department of Community and Economic Development.

Year	New Claims	Total Active Claims
2000	5,088	54,983
1999	11,977	56,673
1998	9,786	50,464
1997	8,671	43,968
1996	9,495	37,843
1995	4,508	31,796
1994	4,064	35,184

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

With respect to placer mines, the state expects to gain placer mines as federal mines convert to state ownership to escape increasingly complex and difficult federal rules. The Division's role in expediting that process is to maintain its current workable permitting system and to expedite the conveyance (from federal to state). With respect to large lode mines, the state recently authorized the True North Gold Mine as a satellite mine to Fort Knox. It is currently coordinating state permitting efforts for the Pogo Gold Project. With respect to coal mines, the state is permitting a new coal mine in Healy Valley and may work on a major revision to Wishbone Hill, which will make coal from the Matanuska field more likely to be mined. Finally, the increase in service for claim processing has been discussed extensively in the budget submission for the Claims, Permits and Leases component.

Measure:

Geological Development - The total value of Alaska's mineral industry.
Sec 113(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Maintaining the total value of Alaska's mineral industry at greater than \$1.0 billion dollars is an important target for Alaska. This target is expected to rise as newly discovered deposits move from initial development to full production. It is significant that in spite of three very difficult years for the worldwide mining industry, the value of Alaska's mineral industry has remained above the target. In Calendar year 2000, the annual value of Alaska's mineral industry was \$1.28 billion.

Statistics for this measure are compiled on a calendar year basis and will not be complete prior to April 15, 2002 when companies file their final income tax reports. Preliminary figures will be compiled from questionnaires and public sources by early January. Anecdotal information as of November 1, indicates that this measure will be met in FY2002.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The strength of the Alaska mining industry is the result of a working partnership involving the Administration, State Legislature, and the private sector. Many programs in DNR compliment one another to support active exploration for and development of Alaska's mineral resources. DGGs contributes to this effort by generating the fundamental geophysical and geologic data needed to effectively explore highly prospective tracts of mineral terrain. We have also shortened cycle times for getting new geologic and geophysical information into the public domain. Through cooperative programs with federal agencies we are moving massive amounts of geologic data onto the Internet where it is more readily available to catalyze Alaska mineral resource ventures. Good geologic and geophysical data combined with a welcoming business environment have been effective inducements for major capital investment in Alaska's mineral industry. DGGs intends to continue to seek ways of effectively producing the geologic information needed to maintain this investment in Alaska.

Measure:

Geological Development - The number of acres of ground under private-sector exploration.

Sec 113(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Based upon the trend of claim data from 1993 to 1998, it was expected that by the end of calendar year 1999 there would be about 3.8 million acres of ground subject to active private -sector exploration in Alaska. This corresponds to about 1% of the state's land area. In calendar year 1999, 3,692,680 acres of ground were being held in active state and federal mining claims and state prospecting sites. In calendar year 2000, 3,301,880 acres of ground were being held in active state and federal mining claims and state prospecting sites. In both years Mineral exploration was also occurring on an additional unknown number of acres not recorded under any form of land tenure system. Thus we believe that between 3.3 and 3.8 million acres of ground are now under active exploration.

Final numbers for this measure are compiled on a calendar year basis and will be completed in early January in order to capture all late claim filings in both the state and federal systems. Preliminary numbers suggest that the total number of active state and federal mining claims in Alaska will probably show a slight decrease for 2002 to about 3.1 million acres. This decrease reflects both world economic conditions and the lack of new airborne geophysical surveys on large state land tracts in 2001.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The growth of the mining industry in Alaska has resulted from the complementary actions of the Administration, State Legislature, and the private sector. Annual funding of airborne geophysical/geological mineral inventories of prospective mineral tracts, in combination with Alaska's mine development tax incentive and outreach from the Governor's office, has been a significant catalyzing factor. There are many remaining high mineral potential tracts throughout rural Alaska that offer the opportunity for successful mineral exploration, mine development and employment opportunity if the fundamental geological and geophysical data needed to guide exploration are generated and made available. DGGs plans to continue concentrating its mineral appraisal resources on these highly prospective areas to generate the needed data. In previous years the announcement of the pending geophysical survey has stimulated considerable new private-sector exploration activity. The CIP appropriation for airborne geophysical surveys of state lands during FY01 did not reach the threshold needed to conduct a cost effective survey. Thus no state-sponsored geophysical survey was conducted in FY01. State-sponsored airborne geophysical surveys were conducted in three areas early in FY02.

Measure:

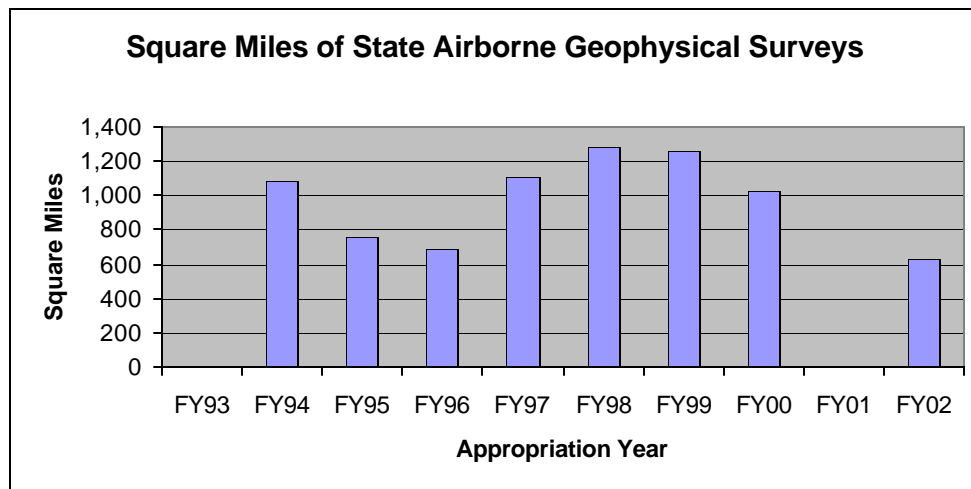
Geological Development - The number of completed geophysical/geological mineral surveys of at least 1000 square miles of Alaska land.

Sec 113(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The 1000 square mile is a challenging target given the staff size and funding available to DGGs. In FY2001, DGGs completed 1240 square miles of federally sponsored airborne geophysical surveys and 808 square miles of geological ground-truth mapping.

Because of an approximately 40 percent increase in the cost of airborne geophysical contracts, DGGS will be able to secure only 630 square miles of new airborne geophysical data on state land in 2002. DGGS is on track to release 1000 square miles of combined mineral and energy ground-truth geologic mapping in 2002.



Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

DGGS intends to maintain this performance measure unchanged for FY2003. We are pursuing complementary federal funding and cooperative agreements with federal agencies in an attempt to acquire resources needed to increase the square miles of geologic ground-truth mapping in geophysical survey tracts that can be completed in a fiscal year. The magnitude of the square miles of airborne geophysical surveys that can be completed in one year is a function of CIP appropriations. A tract of 1000 square miles is in good balance with historic funding, public expectations, and a level of commitment that is effective in catalyzing investment in Alaska's mineral industry. Costs of conducting both airborne geophysical surveys and ground-truth geologic surveys have escalated sharply in the last 18 months, in large part because of increased helicopter contract costs. In FY01 the airborne geophysical CIP appropriation was below the threshold needed to conduct a cost efficient survey. Thus no predominantly state-owned mineral tract was surveyed in FY01. DGGS was able to secure a commitment of federal funds to geophysically survey about 1240 square miles of a mixed ownership (federal - Native Corporation - state) land in southwest Alaska. Because of the ownership pattern of that land, however, we do not believe that this airborne geophysical data will have the same impact on exploration investment, as would a survey over predominantly state lands where access is more open and right of tenure is more certain.

Measure:

Geological Development - The new acres of ground explored by the private sector for oil and gas resources.
Sec 113(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

DGGS data and information generated by the division's energy resource assessment project contributed to 938,701 acres of additional ground being acquired by the private sector for focused oil or gas exploration

Because Cook Inlet oil and gas lease sales are held in May, we do not have FY02 statistics for that area. To date, northern Alaska lease sales have resulted in 1,535,400 new acres of ground being acquired for active exploration (496,760 – North Slope; 60,080 – Beaufort Sea; 978,560 – North Slope Foot Hills).

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The DGGs energy resource assessment project is focused on identifying and filling critical data gaps in the geologic framework of highly prospective areas to encourage new private sector exploration ventures and maintain a healthy oil industry in Alaska. Under the area-wide lease process initiated in 1998, companies are developing new exploration strategies and fiscal plans for all state acreage available on the North Slope, Beaufort Sea and Cook Inlet areas. The state's energy resource assessment project provides essential geologic framework information requisite for valuing their bids for competitive leases upon these lands and to guide subsequent exploration. Geologic information provided by the state for prospective petroleum exploration areas will increase in importance in the years to come if the state is successful in attracting smaller oil companies with less capital to Alaska.

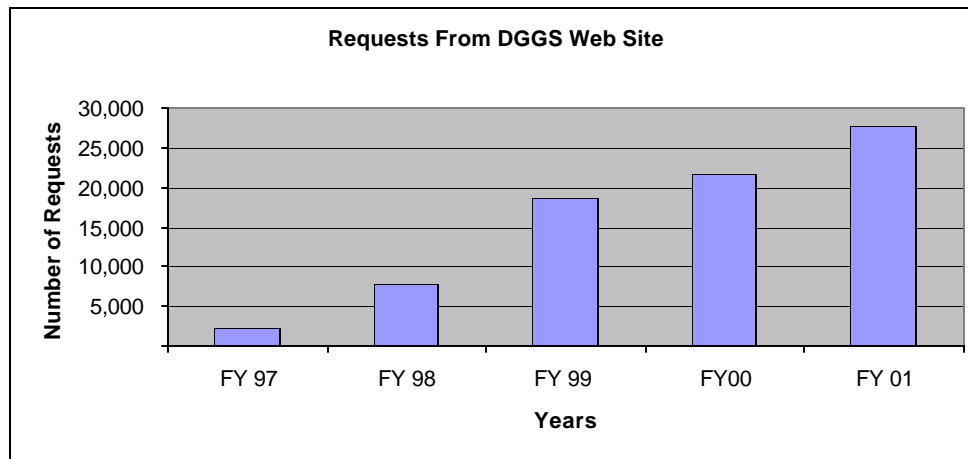
Measure:

Geological Development - The number of users requesting information on the geology of Alaska from the DGGs web site. Sec 113(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The DGGs Web site came on line during FY96. Since that time usage has risen steadily. There is an increasing demand from the users of Alaska geologic data for more DGGs data on the Internet. We expect that demand will continue to rise but we do not know what level to set as a benchmark. As an initial estimate, in mid-FY00 we forecast 20,000 Internet contacts for FY01. By the end of FY01 we had 27,731 users who sought information on the DGGs Web site.

Statistics for this measure are compiled on a fiscal-year basis. As of November 1, 2001 DGGs received 12, 634 external Internet inquiries. We expect to exceed the 27,000 inquires that we received in FY01.



Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The main object of the DGGs Web site is to supply geologic information collected by DGGs to the public at large, including industry, government agencies, and private citizens, as quickly and completely as is feasible. Currently one can locate, read, and download all of DGGs's maps and reports over the Internet. DGGs is now in the process of constructing a geologic database management system that will allow the public to access a wider range of fundamental data files that can be downloaded for in depth analysis. We expect that when this database management system is complete, the Web site will become a primary avenue for securing Alaska geologic resource and engineering geologic data. It is our intent that the cost of this data will be nominal or free to the public. We will continue to provide paper-based products to those that request them, but we believe that the Internet access to DGGs geologic information will have a significant positive impact in reaching Alaskans, and others, that can never be matched by conventional paper maps and reports.

Measure:

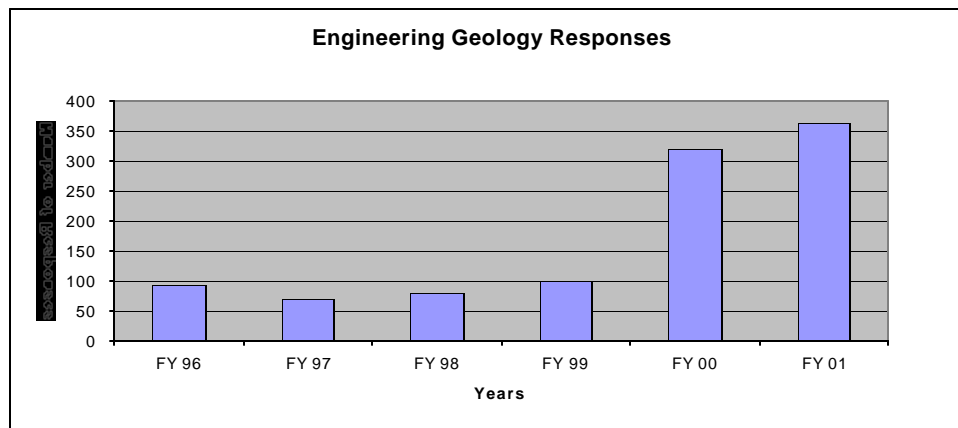
Geological Development - The number of responses made by the division to requests for information or assistance relating to engineering geology or hazards in the state.

Sec 113(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Even before DGGs began keeping records of these responses in FY96, it was clear that there was a high demand for this service, which consistently required on the order of 70-80 responses per year. This demand has been increasing and in mid FY00 we estimated that the number of requests would continue to exceed 100 per year. By the end of FY01 the actual recorded responses were 365.

This measure is compiled on a fiscal year basis and has been increasing for the past two years. We expect that it will continue to increase through FY2002. We, therefore, have no fixed target but we expect this measure to at least match the FY01 figure of 365.

**Benchmark Comparisons:**

There is no benchmark for this measure.

Background and Strategies:

A significant component of the workload in DGGs' Engineering Geology section now entails providing timely responses to requests for information and technical assistance on hazards like earthquakes, landslides, and permafrost. Additionally, DGGs fields requests regarding engineering characteristics of geologic materials with regard to aggregate resources and foundation conditions. During FY01, DGGs experienced a marked increase in requests to review land use permit requests for their adequacy in addressing engineering geology and geologic hazard issues. These requests come from other DNR divisions, other state agencies like Transportation & Public Facilities, Emergency Services, and Community & Economic Development, private geotechnical consultants, local governments, schools, and individuals. Nearly all requests require research to locate the area of concern, compile applicable geologic maps and other literature, and formulate a reasoned response. Rather than viewing these requests as troublesome diversions from our scheduled project work, DGGs sees them as an indication of need for better planning and design information and as an opportunity to help reduce long-term costs of responding to and rebuilding unnecessarily from events that can be anticipated and designed for. DGGs intends to improve awareness of the needs for engineering-geologic information and will continue to make these increasing requests a priority while at the same time not sacrificing our commitments to scheduled project work.

Measure:

The number of acres of land acquired toward the Statehood Entitlement.

Alaska's Target & Progress:

In FY 01, the state received 7,698 acres toward its statehood entitlement from BLM. For FY02, DNR expects to receive approximately 550,000 acres. This large conveyance is due to two unusual large-block conveyances: the first

for an area of the Brooks Range foothills for an oil and gas lease sale, and the second for the eastern portion of the Denali Block requested for its mineral values. In FY 03, the gain in entitlement acreage is likely to be only 5,000 acres. This small amount represents the trend for DNR to request individual parcels that are needed for a specific economic development activity, rather than the large areas for more speculative resource value purposes that were conveyed in the past. With the exception of FY 02, we are now getting more parcels, but less acreage.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

In FY 03, receipt of this land will require review of approximately 400 BLM decisions to ensure that clear title is established with appropriate access, to protect public access. Many, approximately 10-20% of the BLM decisions will be challenged or changed through negotiations to ensure that the state receives clear title and appropriate access.

Minerals, Land, and Water Development
BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Geological Development	2,088.2	1,163.8	291.7	3,543.7	2,128.1	1,501.5	406.2	4,035.8	2,162.2	1,511.9	464.5	4,138.6
Water Development	787.1	13.3	107.3	907.7	972.9	29.6	258.1	1,260.6	908.2	39.7	390.3	1,338.2
Claims, Permits, & Leases	5,551.5	671.8	586.8	6,810.1	4,991.1	711.2	1,170.2	6,872.5	5,357.7	722.8	1,190.8	7,271.3
Land Sales & Municipal Entitlem.	0.0	9.5	2,248.4	2,257.9	0.0	51.7	2,653.3	2,705.0	0.0	52.5	2,899.6	2,952.1
Title Acquisition & Defense	968.7	0.0	62.7	1,031.4	982.8	0.0	99.5	1,082.3	1,079.0	0.0	45.2	1,124.2
Director's Office/Mining, Land &	365.9	0.0	151.9	517.8	372.1	0.0	97.3	469.4	380.0	0.0	99.8	479.8
Totals	9,761.4	1,858.4	3,448.8	15,068.6	9,447.0	2,294.0	4,684.6	16,425.6	9,887.1	2,326.9	5,090.2	17,304.2

Minerals, Land, and Water Development

Proposed Changes in Levels of Service for FY2003

See specific information at component levels.

Minerals, Land, and Water Development

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	9,447.0	2,294.0	4,684.6	16,425.6
Adjustments which will continue current level of service:				
-Geological Development	34.1	10.4	4.5	49.0
-Water Development	-64.7	0.1	87.2	22.6
-Claims, Permits, & Leases	96.6	11.6	20.6	128.8
-Land Sales & Municipal Entitlem.	0.0	0.8	36.3	37.1
-Title Acquisition & Defense	16.2	0.0	3.7	19.9
-Director's Office/Mining, Land &	7.9	0.0	2.5	10.4
Proposed budget decreases:				
-Title Acquisition & Defense	0.0	0.0	-58.0	-58.0
Proposed budget increases:				
-Geological Development	0.0	0.0	53.8	53.8
-Water Development	0.0	10.0	45.0	55.0
-Claims, Permits, & Leases	270.0	0.0	0.0	270.0
-Land Sales & Municipal Entitlem.	0.0	0.0	210.0	210.0
-Title Acquisition & Defense	80.0	0.0	0.0	80.0
FY2003 Governor	9,887.1	2,326.9	5,090.2	17,304.2

Component: Geological Development

Contact: Milton A. Wiltse, Director

Tel: (907) 451-5001 **Fax:** (907) 451-5050 **E-mail:** Milt@dnr.state.ak.us

Component Mission

"...determine the potential of Alaskan land for production of metals, minerals, fuel, and geothermal resources; the location and supplies of groundwater and construction materials; the potential geologic hazards to buildings, roads, bridges, and other installations and structures..." (AS 41.08)
(Differs from SLA 2001, CH90)

Component Services Provided

DGGS is the state's lead source and repository of Alaska geologic information and the primary source of information concerning Alaska's mineral resources and geologic hazards.

DGGS provides the geologic information needed for economic diversification, revenue generation, public safety, infrastructure development, and resource management in the state of Alaska.

DGGS has a strategic role in the generation and maintenance of Alaska's economy, and public safety with respect to natural geologic hazard mitigation.

DGGS geologists locate or stimulate the discovery of minerals, coal, oil, gas, geothermal energy, construction-quality sand and gravel, and water.

DGGS provides geologic data and assessments used by other DNR agencies (Mining, Land & Water, Oil & Gas, Parks, Agriculture, and Forestry), state departments (e.g., Community and Economic Development, Transportation & Public Facilities, Military and Veterans Affairs), and municipalities. Information provided to non-DNR agencies has been used to plan natural hazard mitigation in urban cities and remote villages, select transportation-corridor lands for Alaska, provide information needed to better design roads and other infrastructure, and catalyze private sector investment.

DGGS maintains Alaska's archive of representative geologic materials from across the state including oil- and gas-related samples, and mineral-related and coal samples collected by DGGS and donated by industry and numerous Federal agencies. These samples, acquired from mineral surveys and private sector exploration and development ventures, represent millions of dollars of acquisition cost. The samples provide the reference collection of materials used by the petroleum and mineral industry to guide new exploration ventures.

To focus attention on Alaska's subsurface resources, DGGS conducts field-based geological and geophysical surveys of state lands and publishes professional and popular reports, maps, and circulars to disseminate to its diverse customers the information gathered.

Component Goals and Strategies

The goals of DGGS are closely aligned with those of the Governor, AS 41.08, and the philosophy reflected in DNR's five major goals:

DGGS seeks the following outcomes:

1. Encourage private sector investment in ventures that will develop Alaska's mineral, oil and gas, coal, and construction materials.
2. Mitigate the adverse effects of naturally occurring geologic hazards on the economy of Alaska and the safety of Alaskans.

Major Goals and Strategies

DGGS pursues these outcomes through the products and services provided from five major programs. In order to implement these programs, DGGS pools funds from the Division's annual General Fund base-budget, Federal Receipts, Legislatively designated Program Receipts, and Capitol Improvement projects. Federal Funds and Program Receipts funds are sought only for program activities that are closely aligned with the mission specified in AS 41.08 and the Division's Mission and Measures statement. Likewise, CIP funds address geologic resource problems or goals that DGGS has been specifically asked to pursue. Currently, sixty percent of Alaska's geological and geophysical program is financed from non-general fund budget sources. Securing the complementary funds required to implement the mandates of AS 41.08 and our Mission statement on an annual basis is never assured.

The following tasks within our five major programs constitute the Division's strategy for meeting the goals of the DGGS Mission Statement.

1. Statewide Mineral Appraisal Program

Contingent on FY03 CIP funds, geophysically survey 1000 sq. miles (640,000 acres) of high-potential mineral tracts per year to provide the geophysical data needed to sustain Alaska's mineral industry investments and create jobs throughout Alaska.

Funded by FY03 General Fund base-budget and committed airborne geophysical/geological mineral inventory CIP funds, conduct ground-truth geologic mapping and release interim geologic maps of the Big Delta C-3 15' quadrangle and two adjacent quarter quadrangle areas; the Big Delta SW C-2 and NE B-3, that lie within the Salcha River - Pogo airborne geophysical tract. These maps will provide ground-truth geologic data needed to more effectively interpret the geophysical data previously generated for the Salcha River -Pogo mining district. The mapping area is a key to understanding regional geology near the Pogo mineral deposit and newly discovered Caribou prospect. Conducting investigations and releasing geologic data on this area will help the mineral industry and policy makers make informed decisions. Preliminary geologic maps, sample location maps, and tables of analytical data will be produced.

Gather, verify, and collate pertinent statistics and summary observations about the status of Alaska's mineral industry to document the industry's annual achievements and encourage others to participate. The summary of these data will be published as the FY03 edition of an annual report on the status of Alaska's mineral industry. This document is widely circulated and is recognized as the best source of authoritative statistical data on Alaska's mineral industry.

Provide authoritative briefings about the status of Alaska's mineral industry, State support for mineral ventures, and recently acquired geophysical and geological data at professional mineral industry conventions and trade shows, and in professional journals. These presentations are an effective means of bringing the favorable mineral development potential of Alaska to the attention of corporate exploration managers and others who make mineral industry investment decisions.

Produce a ground-truth geologic map of the Delta mining belt from data contributed to DGGS by the private sector. Several different companies collected geologic and geochemical data over many years of investigation. Synthesizing and releasing the data to the public at large will add to a better understanding of the geologic framework of Interior Alaska and encourage mineral investment in the region.

Produce a ground-truth geologic map of the Broxson Gulch area near Paxson as part of a cooperative project with the Geologic Survey of Canada to better understand and disseminate knowledge about regional metallogeny in a 600 km long metallogenic terrane that ranges from British Columbia to southcentral Alaska. The terrane is favorable for deposits of platinum group metals, nickel, copper, and gold. DGGS will publish the paleontologic information and a preliminary geologic map in FY03. Synthesizing and releasing the data to the public at large will add to a better understanding of the geologic framework of southcentral Alaska and encourage mineral investment in the region.

Contingent on Federal funding compile a georeferenced database of internal geochemical data from past DGGS projects and make this information accessible on the Internet. Analyses of major oxide and trace element geochemical analyses from bedrock voucher samples will be screened for quality data. The resulting database will include the sample's analytical history, laboratory, vintage, degree of reliability, and associated project information. These data can provide fundamental new insights regarding the state's geologic framework relative to mineral deposits.

Contingent on Federal funding, compile a GIS-based georeferenced bibliography of bedrock geologic mapping of Alaska showing what geologic mapping is available for the state, its vintage, and level of detail. Make this information accessible on the Internet. This project will provide the database needed to answer a question posed by the Legislature

in FY00, i.e., "what is the status of geologic mapping in Alaska?" It also will provide a useful starting point for anyone needing technical geologic framework information for an Alaska venture.

Contingent on Federal funding, begin a two-year project to compile a georeferenced database of geochemical data for the Aniak mining region in southwestern Alaska. Previously unpublished chemical analyses of bedrock samples and geochemical data from stream sediment samples generated by federal agencies, some Alaska Native Corporations, and some private sector corporations will be included with existing DGGs, U.S. Geological Survey, and U.S. Bureau of Land Management data. The resulting database will reference the analytical technique, laboratory, vintage, degree of reliability, and associated project information for each sample. The data will be published by U.S. Bureau of Land Management in conjunction with DGGs.

The World Wide Web has become one of the most important avenues for dissemination of information about Alaskan geologic resources. Some of the information that needs to be made available includes mining statistics, status of current mineral-related geologic field projects, summaries of geophysical survey locations and project information, and an updated GIS-based summary of significant mineral deposits in Alaska. This carefully organized information will be made available via the DGGs website and will be useful to the mineral industry, policy makers, other government agencies, and to the general public.

DGGs Mineral Appraisal Project geologists will provide timely responses to verbal and written requests for mineral information from other State agencies, local government, and the general public.

2. Statewide Energy Resource Assessment Program

Contingent upon Statutory Designated Program Receipts, complete year four of a five year project to determine the stratigraphy and reservoir potential of Nanushuk and Tuluva Formation sandstones exposed along 120 miles of the northern Brooks Range foothills and Colville River in order to provide key geologic framework elements to aid future oil exploration in the central North Slope. This work will include 1:63,360-scale bedrock geologic mapping of oil-stained Cretaceous strata and evaluate source rock potential of selected rock units in the southern Colville Basin and northern flank of the Brooks Range to help identify favorable oil or gas exploration plays.

Funded by a CIP appropriation, complete evaluation of potential hydrocarbon source rocks in Tertiary (66.4 -1.6 million year old) rocks in the southern McGrath Quadrangle by collecting additional samples for hydrocarbon source-rock evaluation analyses.

Contingent upon Federal funding, initiate the first year of a three-year program to develop lightweight coiled-tubing microborehole drilling technology to test coalbed methane potential and gas producibility at three high-priority rural Alaska sites.

Funded by a Federal contract, acquire new geochemical data for coal in the Kobuk River and Nulato coal fields in order to classify that coal resource's quality in support of future coal prospecting, leasing, and coalbed methane leasing in Alaska.

Funded by a Federal contract, conduct the first year of a two-year basinwide energy resource assessment of the Yukon Flats potential to contribute oil, conventional gas, and coalbed methane to domestic United States commercial markets through existing and proposed pipelines.

Evaluate the reservoir characteristics of a representative collection of 360 – 66.4 million year old North Slope and Brooks Range foothills rock formations. These rocks also occur in the subsurface within the North Slope Basin. Therefore, these data will help identify potential North Slope oil or gas reservoirs.

Contingent on Statutory Designated Program Receipts, expand the evaluation of reservoir characteristics of a representative collection of North Slope and Brooks Range foothills rocks ranging in age from 360 million years old to 66.4 million years old to provide porosity and permeability data characterizing their oil and gas reservoir quality.

Upon request, provide written evaluations of minable coal potential for lease areas in response to requests from Division of Mining, Land and Water Management.

Respond to verbal requests from other State agencies, Federal agencies, industry, local government, and the public for information on energy-related geologic framework and oil, gas, and coal resource data (estimated 80 responses).

3. Statewide Engineering Geology/Construction Materials Program

Produce written evaluations of potential hazards in areas of oil exploration leases, land disposals, permit applications, etc., and respond to verbal requests for information from other State agencies, local government, and the general public (estimated 250-300 responses).

As part of the Alaska Coastal Management Program, conduct reviews of Coastal Policy Questionnaires and consistency applications to ensure compliance with the state's geophysical hazards standard (6 AAC 80.050).

Conduct post-event hazard evaluations in response to unexpected major geologic events (e.g., earthquakes, volcanic eruptions, and landslides), providing timely information dispersal to the public via electronic as well as traditional methods, and providing event and continuing hazard information to appropriate emergency management agencies.

Contingent on partial Federal funding, complete a map of earthquake-induced liquefaction susceptibility in the Anchorage area.

Contingent on partial Federal funding through a cooperative project with the University of Durham, complete a study of sedimentologic evidence of great earthquakes in the Anchorage region as a basis for identifying possible methods for forecasting similar future events.

Contingent on partial Federal funding and in cooperation with the Division of Emergency Services, University of Alaska Geophysical Institute, and coastal communities, publish tsunami-inundation maps for Homer and Seldovia.

Supported by Federal funding through the Coastal Management Enhancement Grants Program, publish generalized earthquake ground-shaking hazard maps for southeastern coastal districts.

Contingent on continued Federal funding, publish a geologic map of Mt. Spurr volcano.

Contingent on continued Federal funding, participate in the second year of geologic mapping and hazards evaluation of Mt. Veniaminof volcano; Alaska's largest volcano, and one of the most poorly known. FY03 will be the second year of a planned three-year project.

Contingent on continued Federal funding, maintain and enhance the AVO web site. With as many as 500 visitors per day, the AVO web site is one of our most important information dissemination activities.

Publish a CD-ROM disk containing geographical, geophysical, geological, geochemical and land management data for the entire Aleutian volcanic arc in a georeferenced database format.

Provide final oversight, coordination, and helicopter contracting for multi-team fieldwork to conduct geologic-hazards studies and seismic monitoring of active volcanoes in the Cook Inlet, Alaska Peninsula, and Aleutian Islands regions.

Participate in volcano eruption response and hazard mitigation as needed to provide timely and accurate warnings and eruption information to emergency-response agencies and air-traffic controllers.

Provide field database and GIS support to ongoing mapping projects at Okmok Volcano and Veniaminof Volcano.

Contingent on anticipated Federal funding, initiate monitoring and hazards evaluation of far western Aleutian volcanoes.

Funded by a Federal grant, implement the second phase of a three-year project to apply remote sensing technology to an investigation of the Council mining district. The objective of this investigation is to identify prospective areas that may host previously overlooked placer gold resources.

4. Geologic Materials Center Program

In accordance with a framework of multiple interagency cooperative agreements, maintain the state's interagency archive of geologic materials (voucher samples of rocks, oil and gas well processed samples, core, rock, thin-sections, ore samples, and hard-rock mineral core) acquired from private companies and State and Federal agencies.

Systematically record and archive new geologic material pertinent to Alaska's energy and mineral resource development as they are submitted to the Geologic Materials Center.

Contingent upon Federal funding, install an updated GMC sample database on the World Wide Web so that the catalog of the Center's holdings is accessible to mineral and energy explorationists and other interested parties via the Internet.

With Federal funding, catalog all historical U.S. Bureau of Mines statewide mineral samples stored at the interagency Geologic Materials Center.

5. Geologic Maps and Reports Program

Assemble and edit the technical and educational maps and reports of DGGs in both conventional and digital format.

Contingent upon continued Federal funding, complete the design and construction of a Division-wide digital geologic database management system so that DGGs can improve its cycle time for responding to geologic resource and engineering geology queries and for completing its mineral and energy inventory studies in frontier areas.

Assemble, edit, and publish the Annual Mineral Industry 2000 report. This report preserves the definitive statistics for Alaska's mineral industry.

Maintain the DGGs information management micro-computer network infrastructure.

Key Component Issues for FY2002 – 2003

Escalating Cost of Field Operations:

During the past 18 months, DGGs field operation costs have risen about 20 percent for geologic ground-truth geologic mapping and cost increases approach 40 percent for airborne geophysical surveys.

Much of DGGs's most valuable work for Alaska is done on the frontiers of our state. Our work provides the geologic framework that is used by the private sector to guide new energy and mineral investments. Providing this kind of information means that our field work is moving farther away from the state's limited transportation infrastructure. This, alone, adds to logistical supply costs. Our field programs have always had to rely on fixed-wing and helicopter support for daily access. These costs are rising dramatically. For example, our field parties utilize about 4 hours of helicopter flying time per day to deploy and recover team members. In the summer of 2000 that four hours cost a project \$2050 per day; in 2001 it cost \$2680 per day; in 2002, initial inquiries indicate that it will cost us \$3550 per day. This cost does not include increased cost of fuel and its delivery. We currently have no plausible strategy that would allow us to meet this kind of cost escalation while maintaining current information quality and annual tract coverages.

Geologic Information Accessibility:

Private sector enterprises and government decision makers are under increasing pressure to produce results on a shorter time line. DGGs products and services are specifically aimed at supporting statewide economic development and the mitigation of natural geologic hazards that are often at the core of the issues faced by these decision makers. People engaged in those activities can only benefit from DGGs geological and geophysical data, maps, and reports when they are aware that the data exist and are accessible in useful formats. Additionally, since many of our customer's projects have short time frames, both the information about what type of data are available and the appropriate data need to be provided in a timely manner. DGGs faces a demand for: 1) more widespread and faster access to our geologic database; 2) rapid delivery of special purpose customized presentations of geologic data in response to unique critical needs; and 3) remote delivery of active digital files of the original underlying geologic, geochemical, and geophysical data used to produce our conventional paper-based publications.

The key to meeting these demands is the use of computer technology. During FY01, DGGs secured Federal funding to convert all of its maps and reports to digital format. Early in FY02, these maps and reports were made accessible on the Internet. Funded by a Federal grant, we also are contracting for the design and construction of a Division-wide geologic database management system. This internal system will serve as a prototype for an external Internet accessible system that will allow the public to download active digital data files of original DGGs numeric, text, and graphical geologic data.

Rural Energy:

The lack of developed sources of local energy in rural Alaska is a continuing problem that DGGS is addressing through its coalbed methane program. First funded through a CIP appropriation in FY97, DGGS conducted an initial survey of the state to identify areas that have potential for supplying coalbed methane for local consumption. That work identified three high priority sites and a number of other sites of lower, but significant promise. Subsequent work has been largely funded by soliciting supplemental Federal grants. The work is now at a stage that actual test drilling is needed at the three high priority sites to determine whether coalbed methane gas is present in useful quantities in the subsurface. The cost of drilling is high. Thus, both the private sector and State and Federal governments are reluctant to support the needed drilling. In an attempt to move beyond this impediment, DGGS has developed a detailed proposal with Los Alamos National Laboratory to seek Federal Department of Energy funds to deploy a new light-weight, and ultimately more economical, micro-drilling technology to test both the technology and the coalbed methane potential at three high priority sites in Alaska. We have no assurance that the proposal will be funded. However, if it is funded, the Los Alamos technology will be used at Chignik, Fort Yukon, and Wainwright to test local coalbed methane resources near those villages.

Major Pending Infrastructure Projects and Geologic Hazard Assessments:

Alaska appears to be on the threshold of a major development cycle similar in scale to the construction of the trans-Alaska oil pipeline. There is increasing activity among industry and government to seek ways to expedite the construction of a delivery system to the Lower-48 for North Slope natural gas and an extension of the Alaska Railroad to Canada. A fundamental and prudent first step in undertaking infrastructure development enterprises of this magnitude is a comprehensive engineering geology and geologic hazard assessment of the greater land corridors through which such construction must pass. Such assessments should be made prior to finalizing detailed alignments and prior to detailed geotechnical engineering assessments of those alignments. By statute AS 41.08 DGGS is charged to determine the potential geologic hazards to buildings, roads, bridges, and other installations and structures. This should be done before such structures are built. Prior knowledge of the kind and extent of geologic hazards is the first step in their mitigation. Such knowledge can be factored into design criteria to improve public safety, decrease long-term maintenance costs, and decrease construction costs resulting from encountering unforeseen obstacles.

If these two mega-projects are initiated in the shortest time possible, there is currently a window of about two to three years in which to conduct a detailed reconnaissance-level engineering geology and geologic hazard assessments of the probable infrastructure corridors that will host them. Results of this work would provide valuable information for determining an optimal final alignment, identifying geologic hazards not previously recognized so that design engineers are alerted to sections of the alignment that require unique consideration, and identifying sources of construction materials. Currently, no funds are identified to implement these field studies.

Major Component Accomplishments in 2001

Information Accessibility

Completed scanning all DGGS reports and maps published before 2000 and made them available online through the DGGS Web site. New maps and reports will be added in this format as they are produced.

The DGGS website was accessed over 27,000 times for information on Alaska Geology.

DGGS sold 2,651 professional maps and reports and distributed approximately 4,000 free educational publications.

DGGS staff responded to about 1,000 significant professional geologic information requests from the general public and other agencies.

DGGS staff made 35 public presentations on Alaska geology related to minerals, energy, and engineering geology.

Mineral Resource Appraisal

In June 2001, completed the third of three planned field investigations designed to provide ground-truth geologic mapping of the Fortymile airborne geophysical survey tract. The data generated will be released in FY02.

Co-planned and participated in an international Alaska – Yukon field workshop focused on Alaska, Yukon, British Columbia, and Canadian Geological Survey geologists meeting to examine key field locations on both sides of the border to reconcile rock nomenclature and other geologic, geophysical, and mineral evidence so that the geologic and geophysical mineral data generated by Alaska and Canadian geologists will have a consistent framework along our common border. The resulting clarity in data representation will help support resource development.

DGGS submitted a successful proposal to NASA for a two-year pilot project that will develop internal remote-sensing expertise to augment traditional field methods in geomorphology, investigating surficial deposits, and evaluating bedrock geology. These techniques will be used to evaluate the placer gold potential of part of the Council placer mining district on the Seward Peninsula. Determining the potential for buried placer deposits may help catalyze economic development in rural communities and benefit the people of Alaska by expanding prospect opportunities for both small- and large-scale mine operations.

Energy Resource Assessment

Located and acquired a commercial high-resolution gravity survey of a portion of the Holitna Basin. This survey will enhance the gas potential assessment of the basin as an energy source for regional mineral development.

Completed helicopter-supported geologic field mapping and oil-related geologic investigations in the Philip Smith Mountains quadrangle that encourage industry exploration for oil and gas in the central North Slope. This project, funded through the USGS STATEMAP program, will produce a 1:63,360-scale geologic map of the Philip Smith Mountains C-5, and portions of the adjacent quadrangles for release in FY02.

DGGS, in cooperation with the U.S. Geological Survey (USGS) and the U.S. Bureau of Land Management-Alaska (BLM) is evaluating Alaska's remote coal basins for their shallow coalbed gas potential. During FY01, DGGS and the Kansas Geological Survey (KGS), through a cooperative research agreement, conducted a shallow seismic study at Fort Yukon to evaluate the lateral continuity and thickness of coal seams beneath the community. The field portion of the project was completed March 31st to April 14th 2001, when approximately 8.5 line miles of seismic reflection study was conducted using the KGS's IVI mini-vibrator. Initial processing of the acquired data indicates a number of significant reflectors present, including the top of the lignite at about 1200 feet and indications are that the coal-bearing zone may be up to 200 feet thick.

In May 2001, DGGS organized and co-sponsored a coalbed methane workshop, "Alaska Coalbed and Shallow Gas Resources." The five-day workshop attracted over 100 participants to activities which included a two-day field trip to view Kenai Peninsula geology, coal exposures and the nation's first commercial liquefied natural gas plant at Nikiski (Days 1 and 2); two short courses (Days 3 and 4); and a full day of technical papers and discussions (Day 5). Attendees included lower 48 coalbed methane producers interested in exploring for coalbed methane in Alaska.

Geologic Materials Center

The DGGS Geologic Materials Center (GMC) received and archived rock sample cuttings representing 274,717 feet of core from 60 Alaska oil or gas exploratory or production wells..

The DGGS GMC received and archived 17,122 feet of diamond-drilled mineral core representing 40 exploratory holes from 5 Alaska mining prospects.

Engineering Geology & Construction Materials

Developed draft ground-motion site-response maps and a draft seismic soil-class map for Anchorage in cooperation with the UAF Geophysical Institute. Planners and engineers will be able to use these maps in conjunction with the building codes to design more earthquake-resistant buildings.

Developed draft tsunami-inundation maps for the Kodiak area in cooperation with the UAF Geophysical Institute, Alaska Division of Emergency Services, and the Kodiak city and borough governments. These maps depict modeled inundation extents of tsunami waves from several scenario earthquakes to guide emergency managers in planning evacuation areas and routes.

DGGS participated in two major NASA workshops to assess needs for satellite and airborne remote-sensing data for scientific work in Alaska. The workshops focused on identifying specific regional problems that might be addressed with remote sensing technologies, and established a formal working relationship with the Alaska SAR Facility at UAF.

DGGS provided recommendations to NASA for candidate areas of Alaska to obtain airborne tandem-mission synthetic aperture radar (SAR) data as part of NASA's 2000 PacRim mission. NASA successfully flew the mission recommended by DGGS, obtaining more than 8,000 square miles of AirSAR data along the proposed Alaska Highway gas pipeline and railroad corridors and over Augustine and Okmok volcanoes.

Developed a comprehensive GIS database for existing construction-materials information along the 416-mile-long Dalton Highway that will help DOT&PF more easily identify sites that will furnish materials for future highway maintenance and upgrade projects.

Statutory and Regulatory Authority

AS 41.08

Geological Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,152.0	2,220.0	2,322.8
72000 Travel	87.2	145.4	145.4
73000 Contractual	967.0	1,488.2	1,488.2
74000 Supplies	292.5	151.1	151.1
75000 Equipment	45.0	31.1	31.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,543.7	4,035.8	4,138.6
Funding Sources:			
1002 Federal Receipts	1,163.8	1,501.5	1,511.9
1004 General Fund Receipts	2,049.2	2,073.1	2,107.1
1005 General Fund/Program Receipts	39.0	55.0	55.1
1007 Inter-Agency Receipts	94.6	63.7	66.4
1053 Investment Loss Trust Fund	8.0	0.0	0.0
1061 Capital Improvement Project Receipts	40.8	91.3	146.9
1108 Statutory Designated Program Receipts	148.3	251.2	251.2
Funding Totals	3,543.7	4,035.8	4,138.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	1,163.8	1,501.5	1,725.0	1,511.9	1,196.0
Interagency Receipts	51015	94.6	63.7	63.7	66.4	62.0
General Fund Program Receipts	51060	39.0	55.0	55.0	55.1	55.0
Statutory Designated Program Receipts	51063	148.3	251.2	185.0	251.2	120.0
Capital Improvement Project Receipts	51200	40.8	91.3	148.8	146.9	90.0
Restricted Total		1,486.5	1,962.7	2,177.5	2,031.5	1,523.0
Total Estimated Revenues		1,486.5	1,962.7	2,177.5	2,031.5	1,523.0

Geological Development**Proposed Changes in Levels of Service for FY2003**

No changes in service anticipated.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	2,128.1	1,501.5	406.2	4,035.8
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	34.1	10.4	4.5	49.0
Proposed budget increases:				
-Establish Funding for Nonperm Geologist Position for Gas Pipeline Project	0.0	0.0	53.8	53.8
FY2003 Governor	2,162.2	1,511.9	464.5	4,138.6

Geological Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	28	28	Annual Salaries	1,771,630
Part-time	1	1	COLA	42,017
Nonpermanent	9	10	Premium Pay	3,130
			Annual Benefits	589,063
			<i>Less 3.45% Vacancy Factor</i>	(83,040)
			Lump Sum Premium Pay	0
Totals	38	39	Total Personal Services	2,322,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	0	1	0	0	1
Analyst/Programmer III	0	1	0	0	1
Cartographer II	0	2	0	0	2
College Intern I	0	7	0	0	7
Division Director	0	1	0	0	1
Geologist I	0	5	0	0	5
Geologist II	0	3	0	0	3
Geologist III	0	4	0	0	4
Geologist IV	1	4	0	0	5
Geologist V	0	4	0	0	4
Micro/Network Spec I	0	1	0	0	1
Micro/Network Tech I	0	1	0	0	1
Natural Resource Tech II	0	1	0	0	1
Publications Spec II	0	1	0	0	1
Publications Tech II	0	1	0	0	1
Secretary	0	1	0	0	1
Totals	1	38	0	0	39

Component: Water Development

Contact: Gary Prokosch, Chief, Water Resources Section

Tel: (907) 269-8645 **Fax:** (907) 269-8947 **E-mail:** garyp@dnr.state.ak.us

Component Mission

To facilitate the development and stewardship of Alaska's water resources.

The work within the Water Development Budget Component is intended to accomplish three outcomes:

- I. Protect and Provide for Water Property Rights
- II. Provide Technical Hydrologic Support
- III. Ensure Safe Operation and Construction of Jurisdictional Dams

Component Services Provided

This component has three projects:

- Water Management, which provides water rights and temporary water use authorizations to industry and individual Alaskans;
- Hydrologic Survey, which provides scientific hydrologic expertise and maintains hydrologic data for use by state government and the public;
- Dam Safety, which protects public safety and property protection through ensuring safe dams.

WATER MANAGEMENT

WATER RIGHTS. A water right is a property right necessary to establish legal standing against future water users and those current water users who never applied for a water right. Staff adjudicates the application to ensure that granting the water right will not impair the rights of other water right holders and that the water right is in the public interest (i.e., that it will not have a significant adverse effect on the environment). Adjudication includes public and agency notice of the application, resolving conflicting permit terms and conditions, and compliance with land use and coastal zone plans. A representative year of application filings would include approximately 250 water right applications such as: 10 commercial hydroelectric projects (primarily in SE Alaska); 25 oil and gas projects (North Slope and Cook Inlet), 2 seafood processing facilities, 75 for lodges, fish hatcheries, stores, golf courses, logging camps, ski areas and commercial projects; 35 mining operations; 15 village and community water systems; 10 public buildings (schools, state and federal offices, hospitals and camp grounds), 15 for instream flow (primarily ADF&G and USF&WS), 75 residential homes and 1 bulk water export.

The Unit also asserts the state's interest and authority in water allocation issues raised by federal actions, protects the rights of other water appropriators in adjudication of federal reserved water rights, and maintains availability of unappropriated water for future development against *de facto* water allocations by actions of federal agencies. It also adjudicates applications for reservations of instream flow where significant state interest is involved and budget limitations allow.

TEMPORARY WATER USE PERMITS. A temporary water use authorization is required when a significant amount of water is needed for a short-term project such as highway construction or reconstruction, or oil and gas exploration. (No water rights are granted under a temporary water use authorization.) Unless the project is in a water shortage area, within the coastal zone, involves a salmon spawning or other high value fish habitat, is controversial or is unusually complex, a temporary water use permit is completed within approximately 30 days of receipt. Permits within the coastal zone typically require a minimum 60 days.

OTHER:

- *Water Right Data and Records.* Staff maintains files on more than over 17,000 adjudicated water property rights, water use files and pending applications.
- *Other Water Right Related Tasks.* Staff responds to complaints, appeals, and litigation about water use or misuse. The FY03 budget allows for reaction to complaints of significant state interest only. Staff will also receive over 400 requests for information and data. Because of staff limitations, public assistance will be limited to requests that are of significant state interest.

HYDROLOGIC SURVEY

PERMIT REVIEW AND RESOLUTION OF LEGAL ISSUES. Staff of the Alaska Hydrologic Survey provides the basic hydrologic expertise for the DNR. Staff is used extensively to provide the hydrologic expertise for water right adjudication and elsewhere where hydrologic expertise is needed. Staff is expected to provide scientific hydrologic data and analysis to 550 new and on-going projects requiring ADNR permitting. The division is the primary client for hydrologic staff for help with questions concerning the mining industry, land management issues, and water rights permitting. Other divisions within ADNR also request assistance with the collection, interpretation and analysis of hydrologic data in their permitting process. Outside of ADNR, assistance has been requested by ADF&G, ADEC, and USEPA.

OTHER:

- *Hydrologic Investigation/Report And Data Collection.* Staff investigate a water resource issue or problem important to a particular project or industry. Often these are funded through a cooperative agreement with the industry or project. For example, staff are working cooperatively with Alyeska Resort in the collection of stream flow data needed in conjunction with its snow making operation. Snowmaking allows the resort to open a month or more earlier, providing for a longer.
- *Technical Assistance And Hydrologic Data Search And Retrievals.* Staff update, search, and retrieve data contained within the databases maintained for the public and for government. Staff maintain three primary databases. The Well Log Tracking System (WELTS) has ground water information on approximately 25,000 water wells throughout the state. Homeowners, communities, municipalities, consultants, and state and federal agencies seek these data which has just recently been made available on-line.. The Alaska Water Use Database System (AKWUDS) is the only comprehensive database in the state with information on community water use. In addition to information on public water supply, data on industrial use such as oil & gas production, seafood processing and hydroelectric production are available. It currently has several thousand-station years of record (a year of data for a single station). Agencies use this data category when seeking assistance with planning efforts dealing with community-based needs for water. The Alaska Rivers Information Database (ARID) contains data on more than 14,000 surface water bodies in Alaska. The ARID system is a primary source of information with regard to property ownership issues in navigability and hence is relied upon by ADNR navigability program. Approximately 375 (50% of total requests) requests for data retrieval are accompanied with a request for data interpretation or analysis.

DAM SAFETY

The Dam Safety Unit has a staff of one, who completes the following actions:

- *Periodic Safety Inspections Of Jurisdictional Dams.* State laws require that dam safety inspections be conducted every three years for Class I and II dams, and every five years for Class III dams. These inspections are typically conducted by a private professional engineer and reviewed by the State.
- *Certificates of Approval to Construct, Repair, or Operate a Dam.* Before work begins on a dam, it must be approved by the state to assure that the dam will be built and operated safely. The cycle time for the authorization is approximately 6 months from application to issuance.
- *Safe and Effective Emergency Response to Dam Failures.* Dam Safety regulations require Emergency Action Plans for all Class I and II dams. These plans are implemented in case of a dam failure. Less than 20% the Class I and II dams in the state have a current Emergency Action Plan; DMLW is enforcing the requirement for these important plans.
- *Other Dam Safety Related Work.* The Unit also provides engineering assistance for technical review of related work in DNR (such as unregulated dams at mines and other private dam owners, and engineering problems associated with active and abandoned mining operations).

Component Goals and Strategies

OUTCOME: I. PROTECT AND PROVIDE FOR WATER PROPERTY RIGHTS

Water Management unit encourages the maximum use of Alaska's water consistent with the public interest by providing certainty and security of rights, reduced risk for investment, and reduced transaction costs. The Unit adjudicates water rights, issues temporary water use permits, and maintains the water right records database.

During the legislative discussion of HB 185 and the related funding changes, the Division established performance goals for the water rights program. These goals are to have the typical new water right application processed within 60 days, and the typical new temporary water use authorization processed within 20 days. The Division expects to first achieve these goals in late spring 2002. In addition, the Division expects to eliminate the water rights backlog within five years.

This will be a huge improvement from the service levels of previous years.

To achieve these performance measures the Division promulgated streamlining regulations in August, 2001. During winter or early spring 2002, the Division expects to propose fee regulations to implement the fee provisions of HB 185.

OUTCOME: II. PROVIDE TECHNICAL HYDROLOGIC SUPPORT

Hydrologic Survey provides scientific technical data, analysis, and interpretation of hydrologic information. The Survey collects and assembles ground and surface water quantity and quality data required for resource development and the orderly use of Alaska's water resources for domestic, community, commercial, and conservation purposes. In FY03, DMLW expect to provide hydrologic information, data, and evaluations for 575 water permits, mining issues and legal issues; provide hydrologic investigations and assistance to 175 customers; provide hydrologic data to 725 customers; and assist 400 customers with data evaluation and interpretation. DMLW will also enter approximately 4050 new hydrologic data points to its existing databases.

OUTCOME: III. SAFE OPERATION AND CONSTRUCTION OF JURISDICTIONAL DAMS

Dam Safety assures the continuing safety of all non-federally owned dams and dams not regulated by the Federal Energy Regulatory Commission. The National Flood Insurance Program provides a flood insurance premium rate discount to all communities in Alaska because of the state dam safety program. A well administered dam safety program protects lives, property, and natural resources. In FY03 this unit will review or perform 12 periodic dam safety inspections; issue 15 certificates to construct, modify or operate a jurisdictional dam; and review and test up to 4 emergency action plans for significant or high hazard dams. The unit will also provide engineering assistance to the Mining and Land Section's of the Division.

Additional output and measurement information for the component is available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Key Component Issues for FY2002 – 2003

The fundamental issue facing the Water Development component is achieving the performance goals outlined by the legislature during last year's discussion of HB 185: a typical new water right application processed within 60 days, and a typical new temporary water use authorization within 20 days. To achieve these performance goals, the Division must implement a three-part solution, described below.

1. Do Business More Efficiently. To this end the Department proposed new regulations. The comment period on these regulations ended October 22, 2001. The new regulations will allow staff to focus on proposed water withdrawals that DNR, DEC, or DF&G determine are likely to endanger the environment. Any water right application of significant state interest would be adjudicated under current law. Staff estimates that the streamlining processing for applications not considered to be a significant amount of water would apply to as many as 65% of the applications filed in a year.

2. More Staff. As part of the fiscal note to HB 185, the Department received additional funding to hire an adequate staff to run the water rights program. The present staff of 9 (5 new positions added in FY02) is adequate to provide reasonable turn-around time for new water right applications under the proposed regulations. This additional staffing will allow the Division to adjudicate all new water right applications, temporary water use authorizations and eliminate the backlog in 5 years. Instream flow water right applications are not included in the backlog elimination project. Training of new staff will be a priority.

3. Secure Funding Source. Under HB185 the legislature approved a fee structure for the Department to generate the necessary funding in FY03 and future years. The fee would charge applicants the reasonable direct cost associated with the adjudication of an application for water rights or temporary water use authorization and other water right related tasks. The fees would be relatively modest for most users to reflect the fact that in many locations throughout the state, water is not a scarce resource. Fee regulations to implement this part of HB 185 will be promulgated this year.

Major Component Accomplishments in 2001

In FY 01, the Water Management Unit issued approximately 100 water rights (permits to appropriate or certificates of appropriation). This is considerably less than the approximately 250 water right applications received and is part of the significant backlog facing the Division. The unit does not have a backlog for Temporary Water Use Authorizations and issued 151 in FY 01. Finally, the unit responded to 10 federal actions involving water rights. These accomplishments reflect the fact that statewide only 4 individuals worked on water right and temporary water use during this year.

The Hydrologic Survey Unit provided Division staff with hydrologic information, data, and evaluations for 550 water permits, mining issues and legal issues; provided hydrologic investigations and assistance to 150 customers; provided hydrologic data to 700 customers; and assisted 375 customers with data evaluation and interpretation. Entered 14,000 new hydrologic data points to its existing databases.

The Dam Safety and Construction Unit reviewed or performed 11 periodic dam safety inspections; issued 14 Certificates to Construct, Modify or Operate a Jurisdictional Dam; and reviewed and tested 2 Emergency Action Plans for high hazard dams. The unit also provided engineering assistance to the Mining Section and Surface Coal Mining unit for projects at Usibelli Coal Mine, Illinois Creek Gold Mine, and Pogo exploration sites.

Statutory and Regulatory Authority

The Water Development Component operates under the following statutory and regulatory authority:

Statutory	Regulatory
AS 46.15.020-.970	11AAC 05.010 and 11 AAC 93.040-.970
AS 35.05.965	
As 46.17.010-.900	
AS 41.08	

Water Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	779.3	1,042.9	1,075.5
72000 Travel	15.1	31.7	41.7
73000 Contractual	55.1	152.7	187.7
74000 Supplies	57.7	26.3	26.3
75000 Equipment	0.5	7.0	7.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	907.7	1,260.6	1,338.2
Funding Sources:			
1002 Federal Receipts	13.3	29.6	39.7
1004 General Fund Receipts	655.0	970.9	906.2
1005 General Fund/Program Receipts	132.1	2.0	2.0
1007 Inter-Agency Receipts	95.1	122.3	123.5
1053 Investment Loss Trust Fund	6.0	0.0	0.0
1061 Capital Improvement Project Receipts	1.6	0.0	0.0
1108 Statutory Designated Program Receipts	4.6	0.0	45.0
1156 Receipt Supported Services	0.0	135.8	221.8
Funding Totals	907.7	1,260.6	1,338.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	32.0	0.0	0.0	0.0	0.0
Unrestricted Fund	68515	2.9	2.9	3.1	3.1	3.3
Unrestricted Total		34.9	2.9	3.1	3.1	3.3
Restricted Revenues						
Federal Receipts	51010	13.3	29.6	29.6	39.7	39.7
Interagency Receipts	51015	95.1	122.3	87.9	123.5	88.1
General Fund Program Receipts	51060	132.1	2.0	2.0	2.0	2.0
Statutory Designated Program Receipts	51063	4.6	0.0	30.0	45.0	45.0
Receipt Supported Services	51073	0.0	135.8	135.8	221.8	321.7
Capital Improvement Project Receipts	51200	1.6	0.0	0.0	0.0	0.0
Restricted Total		246.7	289.7	285.3	432.0	496.5

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Total Estimated Revenues		281.6	292.6	288.4	435.1	499.8

Water Development

Proposed Changes in Levels of Service for FY2003

The new statutes, proposed streamlining regulations, proposed fee regulations along with the \$300.0 GF increment approved in FY02 allows DMLW to process and adjudicate all new applications and other required actions received in any one year. In addition, DMLW would eliminate the backlog of water rights actions and other required related actions within four years. For most water users, the cycle time would decrease from a few years to just 60 days.

This level of service will likely be achieved at the very end of FY02. We expect to continue it through all of FY03 and beyond.

The fund source switch from GF to Receipt supported services of \$84.2 is based on SLA 2001, CH 185 which created a separate account for the water program.

This budget is increased by \$10.0 in federal receipts from FEMA grants, and an additional \$45.0 was added in Statutory Designated Receipts for the technical review of dam safety projects funded by industry.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	972.9	29.6	258.1	1,260.6
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	19.5	0.1	3.0	22.6
-State Water Use Fund Source Switch to Receipt Supported Services (CH100 SLA2001 - HB185)	-84.2	0.0	84.2	0.0
Proposed budget increases:				
-Dam Safety Technical Review of Large Projects	0.0	0.0	45.0	45.0
-Dam Safety Inspections funded from FEMA Grants	0.0	10.0	0.0	10.0
FY2003 Governor	908.2	39.7	390.3	1,338.2

Water Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	15	15	Annual Salaries	803,174
Part-time	0	0	COLA	18,649
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	280,684
			<i>Less 2.45% Vacancy Factor</i>	(27,007)
			Lump Sum Premium Pay	0
Totals	15	15	Total Personal Services	1,075,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Hydrologist II	3	1	0	0	4
Hydrologist III	1	0	0	0	1
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Off I	2	0	1	0	3
Natural Resource Off II	1	1	1	0	3
Natural Resource Tech I	1	0	0	0	1
Tech Eng II / Architect II	1	0	0	0	1
Totals	11	2	2	0	15

Component: Claims, Permits & Leases

Contact: Nancy Welch, Deputy Director

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Component Mission

Encourage environmentally sound use and development of state land and resources for public and private purposes.
(Differs from SLA 2001, CH90, Section 112)

This component provides most of the state authorizations necessary for the use of state land. For that reason, the major outcomes for which this component is responsible are:

- I. Provide Revenue to the State Treasury
- II. Facilitate Job Creation from the Use of State Land
- III. Assure Environmentally Responsible Use of State Land

This component also provides authorizations necessary for oil and gas, mining, forestry, fishing, mariculture, trapping, commercial recreation, road-building, etc. There are few, if any, industries in Alaska that use state land that do not require an authorization provided by this component.

This component is budgeted based on the assumption that revenue generated by the development of state land should not only pay for its cost, but also provide a return to the state. Thus, the services provided by this component require approximately \$7 million. However, the direct revenue collected by this component is expected to be almost \$10 million, of which over \$2 million will go into the permanent fund. These revenues do not include all revenues generated by the development of state land, only the fees, rents, and royalties collected directly by this component. That is, the figure does not include oil and gas royalty, forestry stumpage fees, mining license tax, etc.

Component Services Provided

This component provides the land use authorizations necessary for the development of Alaska's state land. Almost all industries require authorizations provided by this component to operate on state land. Examples include:

- Oil and Gas: ice roads, support facility leases, exploration camps;
- Mining: claims, leases, access, plans of operations, reclamation plans, major project coordination;
- Forestry: log-transfer sites, access, support camps;
- Commercial Fishing: mariculture sites; shore fishery leases; leases for processors;
- Tourism: lodges sites, access, and related permits.

The Division of Mining, Land and Water is the steward of the state's land. Most authorizations for the use of state land are granted through this component. The Division works with industry and the public to develop state land in a way that is efficient for industry, protects public resources, provides a return to the state and appropriately involves the public in decisions that affect them.

The division also provides much assistance through this component to the private citizens by issuing permits and leases as needed whether it is for a trapping cabin on some remote site or for a utility line to bring services to a family. The division provides for personal use material sales to individuals, or competitive materials sales for those requiring larger quantities. Driveways, roads, trails, or waterlines are just a few of the rights-of-way issued to individuals. The division through land use plans and its public involvement processes recognizes the importance and value of public input in the decisions it makes in use of state land and resources. Working with private citizens to provide for their needs is important to the division.

Twenty separate programs are funded through this component, most of which involve a permit, lease, or other authorization. The Division reports specific performance measures for each. Detailed spreadsheets that describe the performance for each program is available upon request from DNR Admin Services Manager (Nico Bus 465-2406). A general description of each program is provided below.

UPLAND AND TIDELAND PERMITS. Land permits are an authorization issued to use state land, on a temporary

basis, for a variety of purposes. The permits range in duration from one to five years. They are intended for temporary, non-permanent uses such as floating lodges, log storage, scientific research, guide camps, equipment storage and commercial recreation uses. These permits do not convey any interest to the land and permanent structures are not allowed. Permit applications require an application fee set by regulation. As these are short duration permits, most permits are closed upon expiration, with a lower percentage requesting another permit to continue with the project. Beginning in 1996, DNR began using many 5-year permits rather than one-year permits.

TRAPPING CABIN PERMITS. The division issues 10-year non-exclusive permits to licensed trappers for construction and use of "shelter" cabins along established trap lines. Because of the program's narrow scope, only a few new permits are issued each year. Under this program, each trapper is allowed up to three cabins per permit for a one-time use fee of \$100. Controversial locations require a large amount of staff time to resolve. Similarly, field visits are performed only when there are complaints that the cabins are being used for more than trapping purposes, such as guiding, or personal recreation.

COMMERCIAL RECREATION PERMITS. Commercial guides and outfitters, and other purveyors of commercial recreational services that overnight on state land are required to obtain a permit under this program. Essentially a general permit, this authorization is obtained over the counter upon application and payment of the fee. DNR collects valuable data concerning land use patterns and type of activities.

UPLAND AND TIDELAND LEASES. Leases are long-term authorizations for a wide variety of purposes. Leases are a basic tool for the long-term development of state land. Examples of facilities authorized by lease include support facilities on the north slope, or docks and marinas on state tidelands for communities. Because leases typically are either bid or require payment of fair market value for the land, they provide significant return to the state. Leases can be categorized into two types, short term (less than 10 years) and long term (10 to 55 years). A variety of factors, such as years to amortize a business project and whether the project can be negotiated or competitive, determine the lease duration. Leases convey an interest in state land and may, upon approval, be assigned or sublet. A wide variety of projects can be leased and may include such uses as upland commercial lodges, tideland log transfer and log storage facilities, docks supporting private upland lodges, seafood processing facilities and marinas. Length of time to issue a lease is partially driven by whether the annual rental can be established by a fee schedule or whether an appraiser is required and also whether a lease diagram or a monumented survey is necessary. These authorizations are issued with annual fees or another method of compensation, (including five year reappraisal).

COMMERCIAL RECREATION FACILITIES DEVELOPMENT LEASES. This program is authorized by a specific statute, AS 38.05.073, to provide DNR with a "modern" set of "tools" to appropriately design and authorize a large commercial recreation development. At the present time we manage only one lease, Alyeska Resort. The Hatcher Pass lease, also developed under this statute has been assigned to the Matanuska-Susitna Borough.

AQUATIC FARM LEASE. Alaskans wishing to grow and harvest shellfish and other ocean species may do so with an authorization under this program. Alaskan oysters are sold nationally and mussels are sold locally and used in many restaurants. This growing program is currently expanding into the farming of bottom shellfish such as geoducks and clams. In FY 95, this program was shut down by a court decision. The program was not re-established until a new statute was passed and new regulations were promulgated. Last year's opening was the first opening since 1995. Regulations require DNR to hold an opening every two years.

SET NET LEASE. This long-standing program allows limited entry permit holders for gill net fishing from shore to obtain a lease to their fishing sites. Although it is not a requirement to fish, a lease gives the fishers a control over the location where they habitually fish. The leaseholder may use the location for a set-net fishing to the exclusion of others.

PUBLIC AND CHARITABLE LEASES AND SALES. This long-standing program is designed to facilitate public uses of state land which are permanent in nature and require site control which is accomplished by official land survey and conveyance of an interest in the land. Examples of leases processed under this program include sites for local fire stations and community centers; girl scout camping facilities; public works maintenance facilities. The processing of a lease under this authority is very similar to that of a regular lease and involves written decision, public notice and survey. The statute allows the payment by the lessee to be less than fair market value. An appraisal may be required to establish the actual lease rate. The workload under this authority has decreased somewhat as local governments receive their land entitlement under the Municipal Entitlement Program. However, the complexity of each leasing action increases as land status, social issues and competition for land increases.

LOG TRANSFER FACILITY LEASES AND PERMITS. Log transfer and log storage leases authorize the movement of

logs from public and private uplands into the marine waters. Leases can be short term (less than 10 years) and long term (10 to 55 years). The lease duration is determined by a variety of factors such as the number of years that logging is expected to occur and whether a negotiated or competitive process can lease the site determine the lease duration. Leases convey an interest in state land and may, upon approval, be assigned or sublet. With the exception of the U.S. Forest Service, leases are issued with annual fees. DEC's recently approved general permit, addresses potential bark accumulation on the ocean floor for both log transfer and log storage sites. It establishes a new workload for the program by requiring greater analysis and review of remediation proposals by the leasee in the next few years, through a joint review by DNR and other state agencies. The number of authorizations is expected to decline due to the majority of private lands being already logged and continuing legal challenges to the USFS timber program.

MATERIAL SALES. Sale contracts for materials such as pit-run gravel, peat, and sand are issued to meet private and public needs. Sand and gravel sales to private companies support economic activities, such as industrial, mineral, and oil & gas development, construction of roads, and building pads. Public sales are provided for DOTPF and community projects, such as road construction, bank stabilization, or emergency projects following natural disasters. If materials are sold non-competitively from an existing pit, contracts can typically be issued in less than a week. Personal use sales of up to 100 cubic yards are sold over-the-counter, same-day service; the division issues approximately 160 personal use contracts annually. Cycle times for new material sources and competitive sales (greater 25,000 cy per year) are variable based on location and size; average cycle time is 18 months since these require best interest findings and public notices. Except for public purpose sales, materials are sold at a competitive price based on private-sector sales.

EASEMENT ASSERTION/MANAGEMENT & VACATION. The Division is seeing a large increase in requests to assert RS 2477s and other easements, define exact locations for previously asserted easements, and to vacate those previously asserted. The staff time required to resolve these issues is large, seems to be ever-increasing, and in previous years unbudgeted. Legislation is being proposed that would address issues related to landowner liability and maintaining a list of identified RS 2477s. In addition, the division is proposing an increment that will aide in managing these easements. Management of RS 2477 and other easements is becoming an increasingly significant issue with the public.

RIGHTS-OF-WAY. Permits are issued for the construction of roads, trails, driveways, public and private utilities, and communications facilities. Examples of these permits include authorization for ice roads for oil and gas exploration, access to mining claims, etc. Permits are issued for a reasonable term. Fees can be one-time for public uses or annual rental based on regulation. An exclusive use right-of-way is a disposal of state interest and requires a best interest finding, public notice and appraisal to determine annual rental. In all cases, a state-approved location of the right of way must be submitted -- a trail diagram or an as-built survey. Cycle times for processing rights-of-way are highly variable depending upon the applicant's supplying necessary survey and appraisal. Inspections are performed only when there are complaints from third-party users; the number of inspections is approximately 2-5% of the total permits issued annually.

PLAT APPROVAL IN THE UNORGANIZED BOROUGH. By law, DNR is the platting authority in the unorganized borough. This project involves review and approval of survey plats submitted by surveyors for subdivision of lands and right-of-way dedications in the unorganized borough. This purpose of this project is to insure that subdivisions within the Unorganized Borough are surveyed, recorded and have legal access. Prior to passage of AS 40.15.300, these requirements were not addressed, allowing for paper plat subdivisions and subdivision by deed, (without a field survey). Those were prone to produce gaps, overlaps, and clouded boundaries, creating survey problems and title problems.

INTERAGENCY LAND MANAGEMENT ASSIGNMENTS. DNR is the major state agency with authority to hold title to land. Thus, where other agency facilities are needed, DNR holds title to the land but assigns the land management authority to the requesting agency. In some cases where significant public concern is involved, the assignment requires public notice and significant public discussion. The Department of Transportation and Public Facilities and the Division of Parks and Outdoor Recreation are the most frequent assignees. Almost all assignments to these agencies provide land for roads or developed facilities that are planned and funded.

MINERAL PROPERTY MANAGEMENT. This project processes and maintains the state's mineral location records on state-owned lands. Mineral exploration, development and production in Alaska on state-owned lands is dependent upon current and up-to-date mineral title records documenting ownership and current status of locations, all of which are maintained by the division. The project is expected to process approximately 5-8,000 new mining claims next year. This is still a significant increase from the 2-3 thousand claims staked in the early 90's, and reflects the continuing trend of interest in Alaska's state-owned mineral lands. This project also maintains and administers the records and annual

filings for approximately 55,000 mining claims and leasehold locations, about 2,000 prospecting sites, 45 upland mining leases, 44 coal leases, and 32 offshore mining leases. It does, however, represent a significant drop from FY01. This project also administers the rental billings and royalty audits to assure 6(i) revenues are correctly paid to the state treasury and permanent fund. Before the passage of SB 175 in 2000, the processing time for new mining claims had increased to 12 weeks. After implementing that legislation, the Division was able to decrease processing time to 2 weeks. This is an important increase in service to the mining industry.

GENERAL MINE PERMITTING. Placer mines and mineral exploration activities involving heavy equipment and discharge of water require permits from a variety of state and federal agencies. The mine permitting section issues between 250 to 330 permits and mine reclamation plans of which approximately 50 are within the coastal zone. Permits may be issued for up to 5 years. The project also administers the individual reclamation bonds and operates the reclamation bond pool. Together these contain approximately \$9,100,000 in financial instruments to cover about 2,800 acres of mined land in Alaska. The bulk of this amount is from large mine operations such as the Fort Knox Gold Mine. Miners on federal land also use the state reclamation bond pool to bond federal placer mines.

COAL SURFACE MINING, REGULATORY. This project administers the Alaska Surface Coal Mining Control and Reclamation Act (ASCMCRA) in a manner that protects the environment, is efficient to the coal companies, and involves the public. This program is funded by a combination of federal funds and state general fund match. To retain state primacy over the program, the coal program statutes and regulations must be administered consistent with federal standards and procedures. If the state program was eliminated, the regulatory function would be taken over the US Department of Interior, Office of Surface Mining. State management enables Alaska to provide a better program more tailored to Alaskan conditions than would a federally managed program administered out of Washington State or Denver Colorado.

ABANDONED MINE LAND PROGRAM. This 100% federally funded program works to reduce or eliminate hazards caused by historic mining (before the advent of modern mining methods and laws) to protect public health, safety, general welfare and property, and to restore the environment where degraded by historic mining. The federal government funds reclamation of mines that were abandoned before the passage of the federal Surface Mining Control and Reclamation Act in 1977. Alaska's program is funded 100% by the federal Office of Surface Mining. No state funds are involved. The federal government will only fund state AML programs for states, like Alaska, that have an approved Surface Coal Mining regulatory program. The operating budget request of \$283,180 is for AML administrative costs necessary to operate the program. Authorization for \$1.5 million is requested in the CIP budget to cover the remainder of the grant and funds received from other joint federal/state projects. A small portion, \$25,000, is obligated to the Emergency AML Program to take immediate action to abate mining related situations threatening life or property.

LARGE MINE PROJECT. This project uses funds provided by mining companies in reimbursement agreements to coordinate the permitting of large mines. Under state law DNR is the coordinating agency for large mine projects. Projects that are being coordinated under this program include the Pogo Mine Project near Delta, the Fort Knox and True North Projects near Fairbanks, the Red Dog Project near Kotzebue and an environmental review of the Greens Creek Mine near Juneau.

GENERAL PUBLIC CONTACT. This is the only project in this component that does not produce an authorization to use state land. The project is included to document the significant workload and public benefit provided by the general public information and contact required of the Division as the manager of State land. This project provides the majority of funding to DNR's Public Information Center, which expects to handle approximately 17,000 customers in FY01 (this figures reflects only direct person-to-person help to the public, and does not include visits to DNR's web site). Approximately 6,000 people walk in to the Division offices for questions that are unrelated to a particular authorization or are not part of an application or a pre-application discussion.

Component Goals and Strategies

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state. Do so in a manner that is efficient for the applicant, protects public resources, provides a return to the state and appropriately involves the public in decisions that affect them. Spreadsheets that detail the expected level of service for each of the programs described above is available upon request from DNR Admin Services Manager (Nico Bus 465-2406).
2. Streamline natural resource leasing, sales, and permitting processes.
 - Continue efforts to utilize on-line application, notice and receipt of comment for permit applications.

- Offer business transaction service over the Internet (payments, cabin rentals, etc.).

Key Component Issues for FY2002 – 2003

Permit/Lease Processing.

In many cases, it takes too long for the Division to process permits or leases. This is in part because of the procedures required and in part because there is not enough staff to do the work required. Some complicated leases take 2-3 years for processing (including survey, appraisal, etc.) That length of time is too long for most businesses to plan for. If we are truly going to be responsive to the needs of commerce and industry in a way that protects public resources, and appropriately involves the public, the Division must improve the cycle time required for authorizations and on-the-ground management. The revenue-based budget approach described above is a method of continuously looking to improve the quality of our service. Methods to increase efficiency and improve the quality of the Division's land management include making better use of technology through such techniques as allowing on-line payment and applications, and through streamlining procedures and processes.

Major Component Accomplishments in 2001

This component has contributed greatly to the economic and job growth over the years in the various regions of the state.

3. **Mining Law Changes (SB 175).** The 2000 legislature revised the mining law in SB 175 to allow more efficient mining locations to be located, which in turn made for more efficient processing of new mining locations. As part of that legislation, in FY 01, the Division received an additional \$75,000 from new revenues paid by the mining industry to increase this level of service to the industry. As a result, the division has decreased the processing time of new locations from over 3 months (essentially a mining season), to approximately two weeks. The Division is proud to announce that it accomplished this task by November 2000.
4. **Shore Fisheries Lease. (SB 283).** The 2000 legislature as part of SB 283 provided a funding source to restore the Division's shore fisheries lease program that had previously been cut. In FY 2001, the Division has staffed up to restore the services to former levels.
5. **Large Mine Projects**
 - *Illinois Creek Gold Mine.* Mining continued and reclamation efforts were initiated at this operation southwest of Galena. The original operators of the Illinois Creek Gold Mine went bankrupt at the beginning of FY 2000, and left the state with the responsibility of actively maintaining the site to ensure that the environment remained protected. The Division re-leased the mine in an innovative leasing process that allowed the lessee to mine in order to generate funds to accomplish reclamation. The mine resumed production during the summer of 2000 and continued this seasonal operation through the summer of 2001, creating jobs for villagers from the hard-hit Yukon-area. The summer payroll (for FY 01) of approximately \$800,000 was an important source of income for the hard-hit villages. Mine production is projected through 2002 and reclamation activities will accelerate and extend through the 2003 operating season. The Division expects that the mine will be fully reclaimed by the new lessee.
 - *Pogo Mine Project.* The Division coordinated permitting of advanced exploration at the Pogo Mine Project northeast of Delta Junction. In FY 2000, the exploration project began construction of a tunnel to the ore body that is now over a mile long. The mine is now seeking the necessary permits and the Division is coordinating state permitting and participation in the federally required EIS. The EIS should be completed and all permits issued in early FY 2003. This mine will employ over 300 people for at least 12 years.
 - *True North.* The Division completed coordination and issued permits for the True North Mine Project in FY 2001. The mine project included the construction of a new 12-mile haul road and a \$1 million Steese Highway underpass, and has created over 100 new jobs. During FY 2003, the division will continue to administer the permits, and will complete permitting of a major expansion to the mine.
 - *Green's Creek Environmental Review.* At the invitation of the US Forest Service and Green's Creek Silver-Lead-Zinc Mine, the Division will continue to participate in federal-state environmental review of operations and coordinate any state permitting requirements for the site near Juneau. In FY2002, the focus was on verifying that adequate financial assurances were in place to complete reclamation.
 - *Fort Knox Mine Project.* The division continues to administer the permits for this mine project, which is one of the major employers of the Fairbanks area. The division coordinates the interagency team that conducts annual

inspections, reviews project change requests, and monitors reclamation success.

- *Red Dog Zinc-Lead-Silver Mine.* The division has begun a project to coordinate the permitting activities associated with the world's largest zinc mine, which employs more than 400 Alaskans, most of whom are Alaska Native residents of Northwest Alaska. In FY2002, this included efforts to address the needs for a solid waste permit, a revised reclamation plan and establishing adequate financial assurances for reclamation and closure. These efforts will continue through FY2003. With mine life projected to extend beyond 50 years, many challenges will need to be addressed in the oversight of this project's environmental issues.

6. **Permit/Lease/Claim Processing; Revenues to the State of Alaska.** This component of the Division processed a wide variety of permits, mining claims, and leases. In FY 01, this work resulted in approximately \$9.7 millions of dollars in revenue to the state including fees, rents, and royalties. Of this amount, approximately \$1.8 million permanent fund and \$60.4 thousand to the school fund. The figure also includes federal revenue to the component. It does not include revenues such as taxes, royalties, or timber stumpage that accrue through other divisions or departments. The cost of this component in FY 01 was \$6.9 million. Including federal funding and interagency receipts, the total income is almost \$3.0 million greater than the cost to operate the Division. For FY 2002, the revenue is expected to be \$9.4 million.

Statutory and Regulatory Authority

AS 38, AS 41, 11 AAC

Claims, Permits & Leases

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	5,231.4	5,829.2	6,060.5
72000 Travel	181.4	131.9	156.9
73000 Contractual	886.9	849.3	964.3
74000 Supplies	422.1	62.1	89.6
75000 Equipment	88.3	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,810.1	6,872.5	7,271.3
Funding Sources:			
1002 Federal Receipts	671.8	711.2	722.8
1003 General Fund Match	124.2	125.9	127.9
1004 General Fund Receipts	3,484.6	2,853.5	3,181.1
1005 General Fund/Program Receipts	1,942.7	2,011.7	2,048.7
1007 Inter-Agency Receipts	252.4	163.1	167.0
1053 Investment Loss Trust Fund	62.2	0.0	0.0
1055 Inter-agency/Oil & Hazardous Waste	18.3	30.7	31.3
1061 Capital Improvement Project Receipts	19.5	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	0.0	673.6	684.5
1108 Statutory Designated Program Receipts	234.4	302.8	0.0
1154 Shore Fisheries Development Lease Program	0.0	0.0	308.0
Funding Totals	6,810.1	6,872.5	7,271.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	2,467.1	1,319.5	1,319.5	1,318.2	1,318.2
Statutory Designated Program Receipts	51063	148.0	0.0	155.0	0.0	0.0
Shore Fisheries Development Lease Prog	51074	0.0	0.0	0.0	155.0	155.0
Unrestricted Fund	68515	4,037.9	3,605.3	3,605.3	3,605.3	3,605.3
Unrestricted Total		6,653.0	4,924.8	5,079.8	5,078.5	5,078.5
Restricted Revenues						
Federal Receipts	51010	671.8	711.2	711.2	722.8	722.8
Interagency Receipts	51015	252.4	163.1	138.1	167.0	167.0
General Fund Program Receipts	51060	1,942.7	2,011.7	2,011.7	2,048.7	2,048.7

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Statutory Designated Program Receipts	51063	234.4	302.8	302.8	0.0	0.0
Shore Fisheries Development Lease Prog	51074	0.0	0.0	0.0	308.0	308.0
Capital Improvement Project Receipts	51200	19.5	0.0	0.0	0.0	0.0
Interagency Recs./Oil & Hazardous Waste	51395	18.3	30.7	30.7	31.3	31.3
Restricted Total		3,139.1	3,219.5	3,194.5	3,277.8	3,277.8
Total Estimated Revenues		9,792.1	8,144.3	8,274.3	8,356.3	8,356.3

Claims, Permits & Leases

Proposed Changes in Levels of Service for FY2003

Denali Block:

There has been a great deal of mineral exploration in the area that indicates the potential for a significant deposit of platinum. The area is also used for recreation and camping and is important for sport hunting and subsistence. The Denali Block also includes the Tangle Lakes Archaeological district, containing more than 400 sites. DNR has placed 235,000 acres (less than 5% of the total area) on its conveyance priority list to accelerate mineral exploration. With ownership of this land, however, comes the responsibility to actively manage the land.

To accomplish the on-site management now performed by BLM, this budget increment proposes a part-time position with a vehicle and ATV that will be located during the summer months on the site. In addition, the DMLW will contract with the Division of Parks and Outdoor Recreation to continue BLM's inventory of the site so that DNR will have the knowledge to protect the resources.

Oil Safety & Development Initiative:

The DMLW is a participant in the management of Oil and Gas leases and actively manages the surface activities outside of the lease boundaries. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs. This increment requests one additional Natural Resource Officer II (Range 16) to supplement the existing program for initial sale review, permit issuance, and monitoring and compliance activities.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	4,991.1	711.2	1,170.2	6,872.5
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	96.6	11.6	20.6	128.8
Proposed budget increases:				
-Oil Safety & Development Initiative	110.0	0.0	0.0	110.0
-Denali Block Management	160.0	0.0	0.0	160.0
FY2003 Governor	5,357.7	722.8	1,190.8	7,271.3

Claims, Permits & Leases

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	94	95	Annual Salaries	4,604,121
Part-time	1	2	COLA	111,347
Nonpermanent	0	0	Premium Pay	18,974
			Annual Benefits	1,688,433
			Less 5.64% Vacancy Factor	(362,375)
			Lump Sum Premium Pay	0
Totals	95	97	Total Personal Services	6,060,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	0	1	0	0	1
Administrative Clerk I	1	0	0	0	1
Administrative Clerk II	2	1	1	0	4
Administrative Clerk III	2	0	0	0	2
Analyst/Programmer III	2	0	0	0	2
Cartographer II	2	0	0	0	2
Engineering Assistant III	1	0	0	0	1
Environmental Spec III	1	0	0	0	1
Geologist I	2	1	0	0	3
Geologist III	0	1	0	0	1
Geologist IV	2	0	0	0	2
Hydrologist I	1	0	0	0	1
Land Survey Asst II	3	0	0	0	3
Land Surveyor I	3	0	0	0	3
Micro/Network Spec I	1	0	0	0	1
Micro/Network Tech II	1	0	1	0	2
Mining Engin Assoc	0	1	0	0	1
Natural Resource Mgr I	4	2	1	0	7
Natural Resource Mgr II	6	2	1	0	9
Natural Resource Mgr III	3	1	1	0	5
Natural Resource Off I	10	1	0	0	11
Natural Resource Off II	7	7	5	0	19
Natural Resource Off III	2	1	1	0	4
Natural Resource Officer III	2	1	0	0	3
Natural Resource Tech II	3	2	1	0	6
Supply Technician I	0	1	0	0	1
Totals	62	23	12	0	97

Component: Land Sales & Municipal Entitlements

Contact: Richard Mylius, Chief, Resource Assessment and Development

Tel: (907) 269-8532 **Fax:** (907) 269-8915 **E-mail:** dickm@dnr.state.ak.us

Component Mission

To make land available for private and public use by present and future Alaskans by conveying title to individuals through direct land sale programs and to municipalities under the entitlement and other programs. (Differs from SLA 2001, Ch. 90, Section 112)

(The 2000 Legislature gave the Division very specific performance measures for land sales for FY 02 and 03. The Division is proud that it met these performance measures for FY 02 and expects to meet them for FY 03.)

Component Services Provided

Specific functions of this component include land sales to the public, land transfers to municipalities, long-term administration of land sale contracts, land exchanges, identifying land for public, municipal, and private use and development through land use plans, and related support services. Support services include appraisals to determine the value of lands sold, surveys to determine property boundaries, and graphics staff to prepare maps and brochures depicting land for sale. The graphics staff also provides graphics services to the entire department.

The FY 03 State Land Disposal Income Fund will fund approximately \$2.7 million of this component. Revenues from the state land sale program will generate an estimated \$3.3 million. One of the purposes of the municipal entitlement and tidelands conveyance programs is to generate revenue for local governments, therefore the municipal entitlement program results in net loss of revenue to the state government when income producing lands are transferred.

This component provides the following services:

LAND SALES TO INDIVIDUAL ALASKANS

This program makes land available for private ownership. Tasks include: new land sales; new remote recreational cabin offerings; identify and classify additional lands for private ownership; and administering land sale contracts for lands previously offered. For specific performance measures met in FY 02 and expected for FY 03, please see "Component Goals and Strategies."

LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS

This program includes the following tasks: determine how much land new municipalities are entitled to under AS 29.65; process high priority selections from municipalities; prepare survey instruction and review surveys of municipal lands; issue deeds to municipalities; and identify and classify land for municipal ownership. The state is proposing an increment to allow it to accelerate the task of municipal conveyances. The major focus of FY 03 entitlements will continue to be North Slope, Kenai, Matanuska-Susitna and Northwest Arctic boroughs entitlements. Assuming the increment is approved, the acreages conveyed to municipalities will increase to approximately 60,000 in FY04, from an estimated 12,000 in FY02.

TIDELANDS AND LAND TRANSFERS FOR PUBLIC PURPOSES

DNR transfers state owned tidelands to municipalities for existing and proposed development projects under AS 38.05.825 and upland parcels for public purposes under AS 38.05.810. The Division expects to process ten parcels under this program in FY 03.

PREFERENCE RIGHT LAND SALES TO INDIVIDUALS

DNR negotiates sales to individuals that qualify for preference right sales. The workload is determined in part by the number and complexity of applications. The Division expects to process 5 preference right applications in FY03.

LAND EXCHANGES

Due to past budget reductions, land exchanges are only performed when one of the parties desiring the exchange is willing to pay for this service. Current land exchanges include an exchange funded by Exxon Valdez Oil Spill (EVOS) Restoration funds near Old Harbor. Staff also respond to numerous inquiries from the public and other agencies regarding exchanges, and review federal legislation involving land exchanges.

LAND PLANNING FOR DISPOSAL AND DEVELOPMENT

Development of land use and development plans are largely funded through this component. These land use plans identify and classify land for new land disposals, transfers to municipalities, timber harvest, and other development.

FY03 planning efforts include completing the Northern Southeast plan to enable timber development and commercial recreational development, completing the Upper Yukon Area Plan that enables development of recreation and tourism along the Taylor Highway, and initiating planning for tidelands areas in Southcentral Alaska (Kodiak or Prince William Sound).

Component Goals and Strategies**LAND SALES TO INDIVIDUAL ALASKANS**

The 2000 legislature provided additional funds, new legislation, and very specific performance goals for the land sale program. As a result, in FY 01, DNR launched an expanded land sale program that resulted in significantly more land being offered and sold in FY 02. DNR's goal is to continue this expanded land sale program into FY 03 and beyond. Because of the time needed to identify and appraise land for sale, land sales funded in FY 02 occur in FY 03 or 04. Revenue generated includes principal and interest from existing sale contracts, and down payments and revenue from new land sales. For existing land sale contracts DNR must send out notices, receive money, and process changes to contracts. A significant contract workload is processing requests for assignments of contracts. DNR also processes Preference Right Land sales to individuals. Through long-range planning, additional land is identified and classified for future land sales.

The legislature's performance goals were as follows. For each of FY 02 and FY 03: 2,500 re-offer parcels and 250 remote cabin site parcels (the "stake-it-yourself program"). In FY 02, the Division offered 2,410 re-offer parcels and 295 remote cabin site parcels. In addition 170 subdivision parcels remained on the market from previous years. The Division is proud to have met the legislature's performance goals in FY 02 and expects to offer a similar amount (and meet the goals) in FY 03.

LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS, TIDELAND CONVEYANCES, AND FOR PUBLIC PURPOSES

Land is conveyed and patented to municipalities under the municipal entitlement program. Additional land is identified and classified as available for conveyance to existing or future municipalities. The increment proposed for this year will allow DNR to finally begin the process of finishing the municipal entitlements for the rural boroughs.

LAND EXCHANGES

These will only be pursued where specifically funded through RSA's or Cooperative Agreements

IDENTIFY AND CLASSIFY LAND FOR DISPOSAL AND DEVELOPMENT

Through land use plans, state land is made available for disposal and transfer to municipalities. In FY 03, DNR intends to complete plans for the Upper Yukon/Taylor Highway area and Northern Southeast Alaska, and launch a new planning effort in Southcentral Alaska.

Additional output and measurement information is available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Key Component Issues for FY2002 – 2003**LAND SALES TO ALASKANS**

The key issue for land sales for FY 03 is to continue to meet the performance goals set by the 2000 legislature and to prepare for future land offerings.

LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS

Over the last few years, the state has made a significant effort to finalize land ownership patterns: final state selections were made and prioritized in 1994. The mental health land trust dispute has been settled. Native corporations are finally gaining title to their land. In addition, the state has resumed its land disposal program to transfer land to private individuals. The one exception to the resolution is municipal entitlements. Municipal entitlements for a number of rural

boroughs remain stalled because DNR has not had the staff to complete the public planning processes that are constitutionally required before the conveyances can be made.

An increment is being proposed to fund a comprehensive, public process to determine what land should be reclassified and made available for borough ownership. The six boroughs where this is an issue are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat. DNR would use added staff to process the borough's selections and revise land use plans to enable additional lands to be conveyed to these boroughs. The three existing municipal entitlement staff are processing higher priority parcels; the existing planning staff are assigned to priority planning projects that enable development in unplanned areas of the state.

This increment would allow DNR to transfer management of 60,000 acres to these boroughs beginning in FY 04.

LAND EXCHANGES

Various potential land exchanges involving federal lands, such as involving an exchange to enable a hydroelectric project on Fall Creek near Gustavus may occur.

Major Component Accomplishments in 2001

LAND SALES TO INDIVIDUAL ALASKANS

In FY 02, DNR offered 2,410 subdivision lots for sale through two sealed bid auctions, nearly a ten-fold increase from the previous year. An additional 170 parcels remained available for sale "over-the-counter" from previous years. DNR has identified approximately another 2,500 subdivision parcels that will be offered for sale in FY 03.

In FY 02, DNR offered land for the first time under the Remote Recreation Cabin Program, a new stake-it-yourself program. 295 parcels were offered under this program in 2001, with 687 applications received. Total FY01 revenue from state land sales was \$2.6 million which is greater than the \$2.3 million cost for the component.

LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS

In FY 01, DNR approved for conveyance municipal entitlement selections totaling more than 16,600 acres for the following municipalities: Cordova, Dillingham, Kenai Peninsula Borough and Matanuska-Susitna Borough. DNR issued patents to Anchorage, Dillingham, Fairbanks - North Star Borough, Kenai Peninsula Borough, Kodiak Island Borough, Matanuska-Susitna Borough, and Valdez.

TIDELANDS AND LAND TRANSFERS FOR PUBLIC PURPOSES

In FY 01, DNR processed tidelands selections for Dillingham, False Pass, and the Matanuska-Susitna Borough.

LAND EXCHANGES

This item was not funded in FY 01. However, DMLW continued work on one exchange involving Native Corporation land at Old Harbor on Kodiak Island that was funded by EVOS. DMLW reviewed three proposed federal land exchanges that impacted state lands and researched numerous proposals from the public or federal agencies for additional land exchanges.

LAND PLANNING FOR DISPOSAL AND DEVELOPMENT

In FY 01 DNR completed and adopted the Central-Southern Southeast Area Plan that designates over 64,000 acres as available for timber harvest, makes 105,000 acres available for municipal selection, and identifies 13,000 acres for new land disposals. There are approximately 160,000 upland acres of state owned land in the planning area). DNR and the Kenai Peninsula Borough resolved litigation regarding the Kenai Area Plan, which enabled DNR to proceed with land conveyances to the Borough during FY 02.

Statutory and Regulatory Authority

The Land Sales and Municipal Entitlements Component operates under the following authorities:

Statutory
AS 29.65

AS 38.04
AS 38.05.035
AS 38.05.055 - 068
AS 38.05.125
AS 38.05.300
AS 38.05.810 - 825
AS 38.05.840
AS 38.05.860
AS 38.05.940
AS 38.08
AS 38.09
AS 38.50

Regulatory
11AAC (numerous sections)

Land Sales & Municipal Entitlements

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,642.6	1,590.0	1,915.5
72000 Travel	64.0	42.0	47.0
73000 Contractual	429.6	1,037.7	954.3
74000 Supplies	83.4	29.8	29.8
75000 Equipment	38.3	5.5	5.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,257.9	2,705.0	2,952.1
Funding Sources:			
1002 Federal Receipts	9.5	51.7	52.5
1004 General Fund Receipts	0.0	0.0	0.0
1007 Inter-Agency Receipts	433.7	158.3	159.6
1108 Statutory Designated Program Receipts	22.9	68.7	69.1
1153 State Land Disposal Income Fund	1,791.8	2,426.3	2,670.9
Funding Totals	2,257.9	2,705.0	2,952.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
State Land Disposal Income Fund	51434	184.8	320.7	320.7	490.0	490.0
Unrestricted Fund	68515	13.7	0.0	0.0	0.0	0.0
Unrestricted Total		198.5	320.7	320.7	490.0	490.0
Restricted Revenues						
Federal Receipts	51010	9.5	51.7	51.7	52.5	52.5
Interagency Receipts	51015	433.7	158.3	158.3	159.6	159.6
Statutory Designated Program Receipts	51063	22.9	68.7	68.7	69.1	69.1
State Land Disposal Income Fund	51434	1,791.8	2,426.3	2,426.3	2,670.9	2,670.9
Restricted Total		2,257.9	2,705.0	2,705.0	2,952.1	2,952.1
Total Estimated Revenues		2,456.4	3,025.7	3,025.7	3,442.1	3,442.1

Land Sales & Municipal Entitlements

Proposed Changes in Levels of Service for FY2003

Municipal Entitlements: Over the last few years, the state has made a significant effort to finalize land ownership patterns: Final state selections were made and priorities publicized in 1994. The mental health land trust dispute has been settled. Native corporations are finally gaining title to land. In addition, the state has re-started its land disposal program to transfer land to private individuals. The knowledge of which group will eventually control the land is a prerequisite to economic development. The one exception to resolution is municipal entitlements. Municipal entitlements for a number of rural boroughs remain unconveyed because DNR has not had the staff to complete the public planning processes that are constitutionally required before the conveyances can be made.

A \$210.0 increment is being proposed to fund a comprehensive, public process to determine what land should be reclassified and made available for borough ownership. The six boroughs where this is an issue are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat. DNR would use added staff to process the borough's selections and revise land use plans to enable additional lands to be conveyed to these boroughs. The three existing municipal entitlement staff are processing higher priority parcels; the existing planning staff are assigned to priority planning projects that enable development in unplanned areas of the state.

If the increment is approved, it will allow the Department to increase conveyances to municipalities to 60,000 acres beginning in FY 04.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	51.7	2,653.3	2,705.0
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.8	36.3	37.1
Proposed budget increases:				
-Transfer of State Lands to Municipalities	0.0	0.0	210.0	210.0
FY2003 Governor	0.0	52.5	2,899.6	2,952.1

Land Sales & Municipal Entitlements

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	28	34	Annual Salaries	1,436,061
Part-time	0	0	COLA	32,993
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	542,667
			<i>Less 4.78% Vacancy Factor</i>	(96,221)
			Lump Sum Premium Pay	0
Totals	28	34	Total Personal Services	1,915,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	3	0	0	0	3
Cartographer II	1	0	0	0	1
Cartographer III	1	0	0	0	1
Land Survey Asst II	1	0	0	0	1
Land Surveyor II	1	0	0	0	1
Natural Resource Mgr I	5	0	0	0	5
Natural Resource Mgr II	2	0	0	0	2
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Off I	7	1	0	0	8
Natural Resource Off II	8	0	0	0	8
Natural Resource Off III	1	0	0	0	1
Natural Resource Tech I	1	0	0	0	1
Natural Resource Tech II	1	0	0	0	1
Totals	33	1	0	0	34

Component: Title Acquisition & Defense

Contact: Carol Shobe, Chief, Realty Services Section

Tel: (907) 269-8586 **Fax:** (907) 269-8935 **E-mail:** Carol_Shobe@dnr.state.ak.us

Component Mission

To facilitate the acquisition, acceptance, conveyance, and defense of land or an interest in land on behalf of the State of Alaska. (Differs from SLA 2001, CH90, Section 112)

The work accomplished by the Title component is intended to accomplish five major outcomes:

- VII. Acquire ownership (statehood entitlement and more)
- II. Secure clear title
- III. Issue clear title documents under various disposal authorities to the private sector, Municipalities and other governmental entities.
- IV. Defend State title
- V. Maintain administrative records of State ownership

The outcomes of this component are basic mandates of any state in the Union. The Constitution of Alaska in Article VIII sets forth the policy concerning natural resources. Sec. 6 states as follows: "State Public Domain...The legislature shall provide for the selection of lands granted to the State by the United States, and for the administration of the state public domain." These outcomes therefore are expectations of the public to acquire and defend the State's valuable assets of land and the associated resources as any prudent person would manage his or her own personal assets.

Component Services Provided

The tasks associated with this component are fundamental tasks of doing business as a State. However, the ownership of land and its related resources such as timber, minerals and oil and gas form the economic base for the State of Alaska. As Alaska attained statehood the U.S Congress had little money to give to the new State, but recognized the value of land and resources and thus allocated up to 106.2 million acres of land under a variety of federal land entitlement authorities related to statehood. Additionally, as an incident of statehood under the equal footing doctrine we received title to approximately 65 million acres of shorelands, tidelands, and submerged land, which make up our inland waterbodies and marginal seas. Finally, we are acquiring title by direct purchase, donation, escheat, condemnation and grants under special congressional legislation. Also Congress extended the offer of a grant of easement for public access across vacant unappropriated public lands under RS 2477.

The Acquire Land or an Interest in Land (Acquire ownership) outcome deals with the following:

1. Statehood land entitlement - this category of acquisition deals with acquiring land from the federal BLM. This requires the review and negotiation of title documents as necessary prior to acceptance of title; appeals as necessary; recordation and security of original title documents; acreage accountability; maintenance of computer and hard copy records; and develop and maintain the Conveyance Priority List based on designated priorities and needs of State agencies.
2. Other Lands and Limited Holdings. Most other agencies do not have the authority to hold land title. Thus, when they purchase or are given land, the Division must review and complete the required title documents to ensure that clear title is acquired and maintained. For example, the Department of Fish and Game acquires weir or boat launch sites using federal funds; many rural communities acquire armory sites; etc. This category includes two different subcategories:
 - a. Other State Lands (OSL) - This category of acquisitions constitutes a variety of land authorities such as direct purchase, donations, condemnations and grants under special congressional legislation. This also includes Exxon Valdez Oil Spill acquisitions. These require the review of pertinent title documents, title insurance documents, ownership records, court documents, etc., the acceptance of title on behalf of the State of Alaska, recordation and security of original title documents, management rights and maintenance of computer and hard copy records.
 - b. Limited State Holdings (LSH) - This category of acquisitions constitutes less than fee title interest representing a variety of interests such as easements, airspace easements, clear zone easements, leases, fish wier permits, conservation easements, equitable servitude, etc. These title documents require the same review, acceptance, recordation, managements rights and maintenance as OSLs.

The Provide Title Reports (Secure clear title) outcome deals with:

1. Oil and Gas area wide lease sales
2. Disposal of fee title
3. Complex title issues not discernable from the computer records

Title reports are completed to ensure that the State still owns the land or resource and that no cloud has encumbered the title. Often the complex title reports require in depth research to determine the exact interest retained by the State if any (example old Valdez townsite). Title reports are always completed as part of Oil and Gas Lease Sales, and identify the exact State ownership for large projects such as the TAPS renewal and the Gasline.

The Issue Conveyance Documents (issue clear title documents under various disposal authorities to the private sector, Municipalities and other governmental entities) outcome deals with:

The issuance of Patents and Quit Claim Deeds. These documents are a result of completion of all requirements of a disposal authority to pass title to private individuals, corporations and any other entity in the private sector; Municipalities and/or Boroughs and any governmental entity. This project provides consistency in reservations, wording format, authorities and a final title check to ensure clear title is passed.

Title Defense (Defend State title) outcome deals with:

Defending state title against challenges is a fundamental responsibility of the state. The state reviews all title decisions - conveyance to the state, ANSCA corporations, etc. - to ensure that state interest is protected. That is, BLM decisions are reviewed to ensure that access to state land or state title is not compromised by the decision. Over the past years, the state has negotiated changes to 14.5% of BLM decisions to protect state interest. Specifically, this project accomplishes the following:

1. Respond to litigation - This category requires working with the Attorney General assigned to the case and providing technical research data to the AG which includes title documents, case files, summary of actions, maps and anything necessary to support the AG.
2. Completion of Mental Health Trust Lands Settlement - This category requires correction of title documents, formal determination of replacement lands and any action needed to fulfill the Mental Health Trust Lands Settlement.
3. Respond to School Trust Lands Litigation - This category requires working with the Attorney General assigned to work the case and the Depts. Of Revenue and Education as well as the beneficiaries. (This work is funded through a separate appropriation. Funding for this work is not included in this component.)
4. Review Native Allotments - This category requires the review of numerous BLM documents issued concerning Native Allotment claims, which may affect State land title and public access. Respond to the Aguilar court case stipulations as to hearings. Provide technical research and documents to the Attorney General assigned the case. Provide comment to AG on settlement negotiations.
5. Reconvey land wrongfully conveyed to the State - This category primarily affect Native Allotment claims where BLM has conveyed the land title to the State. After initial review the State in most cases agrees to voluntarily reconvey the land following the State's decision and public notice process. BIA has assigned two staff members to work on these cases with guidance and final approval provided by State staff.
6. Review ANCSA decisions - This category requires the review of ANCSA decisions to determine if BLM's decision affects State title. If problems exist we negotiate with the corporations and BLM. If resolutions cannot be reached we appeal. During appeal process provide technical research and documents to Attorney General assigned to case and comment on any proposed settlement.
7. Review Sec. 17(b) of ANCSA easements - This category requires the review and coordination of State comments affecting public access across Native Corporation lands to public lands. If problems exist we negotiate with the corporations and BLM. If resolution cannot be reached we appeal. During appeal process provide technical research and documents to Attorney General assigned to case and comment on any proposed settlement.
8. Any challenge to the State's Title.

The Maintain Administrative Records of State Ownership outcome deals with:

1. Maintain case files (hard paper copies of all documents related to the acquisition and/or the disposal of a parcel of land documenting reservations and covenants attached thereto). Maintain documents in an orderly and logical manner in order to retrieve the information in an efficient manner.
2. Maintain and enter into the State of Alaska's computer system LAS data reflecting ownership of land and or an interest in land. A special title sub-system has been developed for the statehood entitlement, which must be maintained.
3. Scan and maintain certain records for access over the Internet and retrieval of information.
4. Ensure that title acquisitions and disposals are forward for notation to the graphic record and review final product

for quality control.

Component Goals and Strategies

Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.

- To acquire land and resources for development, land disposals and for public use
- Secure clear Title
- Issue marketable title through conveyance documents to the private sector and other government entities.
- Review and respond to all Native Allotment and ANCSA conveyance decisions by the federal government in order to defend the States land title and to reserve access to public land and waters.
- Support Navigability assertions/litigation

Additional output and measurement information is available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Key Component Issues for FY2002 – 2003

1. Staff from this component is responsible for completing a valuation of School Trust lands as part of the The School Trust Lands litigation, *Kasayulie v. State of Alaska* Case No. 3AN-97-3782 CIV. The valuation is required as part of a larger litigation issue concerning funding of rural schools. However, Judge Reese has ruled on the plaintiffs' Motion for Partial Summary Judgment on Breach of the School Lands Trust. Judge Reese found two breaches of trust: (1) the redesignation of school lands in 1978, and (2) the failure to value school lands in 1978. This case is currently in litigation status.

2. Review of Sec. 17(b) of ANCSA. The identification and reservation in conveyance documents to Native corporations for easements to the United States for access across ANCSA private land to public lands and public waters. There are two potential issues:

(A) Management of 17(b) Easements. The federal Interior Department is attempting to pressure the State of Alaska to assume management of reserved easements providing access to State lands and State public waters. Management means identifying the location of the easement on the ground, signing the easement to identify it to the public explaining the allowable uses to the public, clean up trash, maintain the easement (brushing, fixing mud spots, maintaining bridges, etc.), and resolving trespass. The State of Alaska's position is that the easements are reserved to the United States and it is the federal government's responsibility to manage these easements for the use and enjoyment of all Alaskans.

(B) Termination of 17(b) Easements - In U.S. DOI regulations 43 CFR 2650.4-7(a)(13) if an easement has not been used for the purposed for which it has been reserved, the BLM Director shall terminate the easement effective December 18, 2001, unless it provides access to isolated tracts of public lands. The implementation of this regulation has no statutory basis. We believe this implementation will have a serious affect on public access in Alaska. This component several years ago initiated action to stop the implementation; however, the outcome is still to be determined.

Major Component Accomplishments in 2001

AGGRESSIVELY ASSERT AND DEFEND STATE INTERESTS - PROTECT STATE INTERESTS

- Review Native Allotment actions taken by BLM affecting State land and public access - 1832 actions
- Review BLM ANCSA decisions and 17(b) easement reservations to protect public access - 139 actions
- Complete title reports to insure ownership and determine third party rights - 721 actions

- Issue conveyances - 535 actions
- Special projects and response to litigation - 29 action

MAINTAIN CONCISE, ACCURATE, AND READILY AVAILABLE LAND RECORDS

- Create and maintain land Title Records files and tracking for control of title conveyances. - 198,948 records

Statutory and Regulatory Authority

The Title Component operates under the following statutory authority:

Statutory

AS38.04.055

AS38.05.020(b)(8)

AS38.05.030(c) and (d)

AS38.05.035(a)(12)

AS38.05.035(b)(9)

AS38.05.035(e)(6)

AS38.05.127(a)(12)

AS38.50.090

AS38.50.150

AS38.95.210

Title Acquisition & Defense

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	863.4	904.6	931.5
72000 Travel	3.6	19.2	19.2
73000 Contractual	68.1	138.4	144.4
74000 Supplies	62.8	20.1	25.1
75000 Equipment	33.5	0.0	4.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,031.4	1,082.3	1,124.2
Funding Sources:			
1004 General Fund Receipts	968.7	982.8	1,079.0
1007 Inter-Agency Receipts	51.1	89.4	35.0
1053 Investment Loss Trust Fund	5.4	0.0	0.0
1108 Statutory Designated Program Receipts	6.2	10.1	10.2
Funding Totals	1,031.4	1,082.3	1,124.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	51.1	89.4	239.0	35.0	35.0
Statutory Designated Program Receipts	51063	6.2	10.1	0.0	10.2	0.0
Restricted Total		57.3	99.5	239.0	45.2	35.0
Total Estimated Revenues		57.3	99.5	239.0	45.2	35.0

Title Acquisition & Defense

Proposed Changes in Levels of Service for FY2003

The DMLW is a participant in the management of Oil and Gas leases and actively manages the surface activities outside of the lease boundaries. In addition, the DMLW provides title reports to the Division of Oil and Gas for all oil and gas lease sales. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs. This increment requests one additional Natural Resource Officer II (Range 16) to supplement the existing program.

As part of the **Oil Safety & Development Initiative** \$80.0 GF is requested as an increment. The state may only lease land where it owns the subsurface rights. Therefore, before a lease may be issued in accordance with AS 38.05.180(f) and (m), DNR must conduct a title search. With current staffing DMLW has a 6-month backlog for O&G lease sale title reports. With the addition of one Natural Resource Officer II, the division will be able to stay on track with DNR's scheduled O&G activities.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	982.8	0.0	99.5	1,082.3
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	16.2	0.0	3.7	19.9
Proposed budget decreases:				
-Reduce Interagency Receipt Authority to Anticipated Level	0.0	0.0	-58.0	-58.0
Proposed budget increases:				
-Oil Safety & Development Initiative	80.0	0.0	0.0	80.0
FY2003 Governor	1,079.0	0.0	45.2	1,124.2

Title Acquisition & Defense

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	14	14	Annual Salaries	690,456
Part-time	0	0	COLA	15,749
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	251,271
			<i>Less 2.71% Vacancy Factor</i>	(25,976)
			Lump Sum Premium Pay	0
Totals	14	14	Total Personal Services	931,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	1	0	0	0	1
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Mgr II	1	0	0	0	1
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Off I	3	0	0	0	3
Natural Resource Off II	5	1	0	0	6
Natural Resource Tech II	1	0	0	0	1
Totals	13	1	0	0	14

Component: Director's Office/Mining, Land, & Water

Contact: Robert M. Loeffler, Director

Tel: (907) 269-8600 **Fax:** (907) 269-8904 **E-mail:** bobl@dnr.state.ak.us

Component Mission

Encourage the settlement of state land and the development of state resources by making them available for maximum use consistent with the public interest. (Constitution; Article VIII, Sec 1).
(Differs from SLA 2001, CH90, Section 112)

Component Services Provided

The primary service provided by this component is the effective management of Alaska's minerals, land and resource assets to produce revenues, create jobs, and to promote economic vitality. The Director's Office component provides the management and administrative oversight for the six other components within the Division of Mining, Land and Water. These are:

- Claims, Permits and Leases
- Land Sales and Municipal Entitlements
- Water Development
- Title, Acquisition and Defense
- RS2477/ Navigability Assertions and Litigation Support
- Development Special Projects

The Division of Mining, Land and Water promotes the use of state minerals, land and resources and recognizes the public benefits derived from use and development. The Division has and will continue to streamline processes and maximize economic opportunity working with the public and private sectors to stimulate and promote sound development.

The Division has structured its budget to reflect the expectation that developing the state's land and resources should, in general, pay for itself. Thus, functions that develop Alaska by granting, authorizing or granting resources to the private sector are funded primarily on program receipts. That is, developing the land and resources of Alaska will pay for the cost of administration and provide some return to the school fund, permanent fund and the general fund. These development functions are primarily within the Division's first two components: Claims, Permits and Leases; and Land Sales and Municipal Entitlements. The Division also undertakes some functions that are basic responsibilities of the state for which there is no revenue source. These functions are mostly concentrated within Title Acquisition and Defense. This component secures Alaska's full land entitlement under the Statehood Act, and defends access to public land and state's where needed.

This Director's Office has taken over the functions that were formerly performed by three separate Director's offices. Two of them, the Division of Water and Division of Mining merged in 1996. On July 1, 1999, DNR's Division of Land merged with its Division of Mining and Water Management to form the Division of Mining, Land and Water. Part of the three Director's Offices were eliminated.

The **Claims, Permits and Leases** component provides the authorizations necessary to develop Alaska's Land. There are few, if any, industries that use State land that do not require an authorization provided by this component. The component costs approximately \$6.9 million (including \$5.7 million of general fund and program receipt income). However, the direct revenue collected by this component is expected to be almost \$9.4 million, \$2.4 million of which will go into the permanent fund. These revenues do not include all revenues generated by the development of state land, only the fees, rents, and royalties collected directly by this component. That is, the figures do not include oil and gas royalty, forestry stumpage fees, mining license tax, etc.

The **Land Sales and Municipal Entitlements** component provides land sales to individuals and transfers land to municipalities. The \$2.7 million expected in principal and interest from current and past land sales is greater than the \$2.4 million funded by the Land Disposal Fund, in this component.

The **Title Acquisition and Defense** component acquires land and defend its title. The outcomes of this component are

basic mandates of any state in the Union. The component includes the work necessary to acquire land (including more than 103 million acres as the state's entitlement) from the federal government, and defend access to land through ANCSA 17(b) easements, RS2477 assertions, etc.

The **Water Development** component includes administration of water rights, Alaska Hydrologic Survey and Dam Safety. It provides the water rights and hydrologic data necessary for development that appropriates and makes beneficial use of the state's water resources.

The remaining two components are small specialty components found in different BRU's that are continued from previous budget years. These are: **RS2477/ Navigability Assertions and Litigation Support and Development Special Projects**.

Component Goals and Strategies

The component goals and strategies of Division of Mining, Land and Water are outlined in each of the six components managed by the Director's Office. For additional detail on the outcome, measures, and outputs of the other components, contact DNR Admin Services Manager (Nico Bus 465-2406).

Key Component Issues for FY2002 – 2003

This section provides a summary of the major issues facing the Division of Mining, Land and Water. More detailed discussion is found in individual component write-ups.

8. **Retention and Recruitment of Qualified Staff.** The Division has difficulty retaining and recruiting qualified staff. The private market and, in many cases, other departments pay significantly more for what often turns out to be less stressful and less controversial work. As a result, the Division had, at one point, 27 vacancies out of a total staff of approximately 150. This level of vacancies has seriously hampered productivity within the Division. It has decreased the level of service the Division is able to provide to Alaskans, and it means that the Division's work produces less employment and income for Alaskans, and brings in less revenue to the state.

The Department is conducting a review of the natural resource management classification specifications — a job classification that includes two-thirds of the Division employees. The review does not include a salary survey, but is expected to re-align pay ranges for similar work performed elsewhere by state employees. Funding this expected increase is crucial for the Division. The ability to recruit and keep qualified staff is critical for every program within the Division.

6. **Gaining Title to the "Denali Block."** The Denali Block is the unofficial name given to about 5 million acres of largely federal land along the Denali Highway between Paxson and Cantwell. The Division prioritized conveyance for 235,000 acres (about 10 townships) in the eastern portion of the Denali block, north of the Denali Highway. That portion includes approximately 25% of the Tangle Lakes Archaeological district, which is rich in historic and prehistoric remains.

The mining industry asked to make this area a high priority for immediate conveyance. However, because of the large amount of recreational use and the important archaeological resources, the area requires more intensive management than most state land. It requires a field presence on the ground. If the state takes possession of the land but cannot provide appropriate management — management now provided by BLM, we put the cultural resources of the Ahtna people at risk. For that reason, an increment is proposed so that DNR can provide the management and continued protection of the resources.

Gaining the title is an important legislative priority for the mining industry. Gaining the title will accelerate mineral exploration: a likelihood of millions of new exploration dollars being spent in Alaska, and tens of thousands of dollars for mineral rents to the state. (Mineral exploration will not occur under federal ownership.)

3. **RS 2477 Assertion and Management.** Legislation is being proposed that would address issues related to landowner liability and maintaining a list of identified RS 2477s. In addition, the division is proposing an increment that will aid in managing these easements. Management of RS 2477 and other easements is becoming an

increasingly significant issue with the public. The Division is seeing a large increase in requests to assert RS 2477s and other easements or rights-of-way, define exact locations for previously asserted easements, and to vacate those previously asserted. The staff time required to resolve these issues is large, seems to be ever-increasing, and under-budgeted.

4. **Municipal Entitlements.** Over one-half million acres are owed to municipalities under the municipal entitlement law, but cannot be conveyed because the land is not appropriately classified for borough selection. The Division is proposing an increment to complete the conveyances. The increment would provide additional staff to determine what land should be reclassified and made available for borough ownership, revise the land use plans accordingly, and process the municipal entitlement selections. The six boroughs where this is an issue are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat.
5. **Oil Safety and Development Initiative.** The DMLW is a participant in the management of Oil and Gas leases and actively manages the surface activities outside of the lease boundaries. In addition, the DMLW provides title reports to the Division of Oil and Gas for all oil and gas lease sales. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs.

Major Component Accomplishments in 2001

This section provides a summary of the major FY 2001 accomplishments of the Division of Mining, Land and Water. More detailed discussion is found in individual component write-ups.

1. Implemented the following legislation:

- **Land Disposal.** The 2000 legislature provided funds for the Division to increase the level of land sale offerings to Alaskans. The legislation also provided a funding mechanism to make the land sale program self-sustaining and to provide a return to the state general fund. The Division met the expectations it laid out in the legislative discussion. Already in FY 02, the Division has offered 2,500 subdivision parcels and 297 of the "stake-it yourself" remote recreation cabins. A similar number will be offered in FY 03.
- **Providing a Uniform Appeals Process.** The 2000 legislature provided the statutory basis for a uniform appeals program for DNR. Prior to that law and because of different laws passed at different times, DNR had different schedules, requirements, and procedures that applied to seemingly similar Department decisions. A uniform system with standard procedures and timelines will be easier for staff, applicants, and the public. In September 2000, the Department released regulations to complete the streamlining process. The regulations were codified in September 2001.
- **Water Rights.** The 2001 legislature provided statutory changes that addressed water use fees, HB 185. These fees are to provide a stable funding source for the program. That is, those that obtain water rights would pay the cost of maintaining the program. Secondly, the legislature approved a \$300,000 increment for FY2003 to increase the water rights staff for processing the remaining applications. Lastly, the Division released draft regulations in August 2001 to streamline the water rights program; to decrease the amount of work required by eliminating the need for some less significant water withdrawals to obtain water rights. The streamlining regulations are expected to be final in early 2002. Fee regulations to implement HB 185 are expected to be released for public comment in early 2002.

2. Large Mine Reviews

Pogo. The Division is coordinating state permitting and participation in the federally required EIS for the Pogo Gold Mine 38 miles northeast of Delta Junction.

True North. The Division is approved operations for the True North deposit that is trucked to Fort Knox, near Fairbanks. The permitting was completed in January 2001 and the first ore was delivered to Fort Knox for processing in March.

Green's Creek Environmental Review At the invitation of the US Forest Service and Green's Creek Silver Mine, the Division coordinated a federal-state environmental review of operations at the site near Juneau.

Statutory and Regulatory Authority

AS 27; AS 29; AS 38; AS 41; AS 46; 11AAC;

Director's Office/Mining, Land, & Water

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	391.5	392.9	403.3
72000 Travel	53.5	17.7	17.7
73000 Contractual	66.1	40.0	40.0
74000 Supplies	6.7	18.8	18.8
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	517.8	469.4	479.8
Funding Sources:			
1004 General Fund Receipts	365.9	372.1	380.0
1007 Inter-Agency Receipts	150.0	97.3	99.8
1053 Investment Loss Trust Fund	1.4	0.0	0.0
1108 Statutory Designated Program Receipts	0.5	0.0	0.0
Funding Totals	517.8	469.4	479.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	150.0	97.3	97.3	99.8	99.8
Statutory Designated Program Receipts	51063	0.5	0.0	0.0	0.0	0.0
Restricted Total		150.5	97.3	97.3	99.8	99.8
Total Estimated Revenues		150.5	97.3	97.3	99.8	99.8

Director's Office/Mining, Land, & Water

Proposed Changes in Levels of Service for FY2003

RS 2477s Rights of Way:

The passage of AS 19.30.400-.415 has significantly impacted the department's workload as it relates to easement management (conflict resolution, easement location) and vacations, relocations and other survey administrative work. An increment is being proposed to allow the division to meet the seemingly ever-increasing workload associated with RS 2477 and other easement. The increment includes processing RS 2477 ROW vacations, relocations and approval of surveys. As outlined in statute, the legislature intends that DNR use great care in deciding to vacate RS 2477 rights-of-ways. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties. In addition, the increment would allow DNR to manage the many on-the-ground problems that all too often surround the use and assertion of easements. Where possible the division would like to take a proactive approach and determine which ROWs have the most public interest, conduct field exams, create trail location diagrams and selected as-built surveys. Such an effort would allow the Division to "adjust" the route to a final alignment that would satisfy the need for access provided in law and avoid the many conflicts between landowners and users because of location issues. The end product would be a recordable document that at least settles the location and width of the easements.

Municipal Entitlements:

Over the last few years, the state has made a significant effort to finalize land ownership patterns. Final state selections were made and priorities publicized in 1994. The mental health land trust dispute has been settled. Native corporations are finally gaining title to land. In addition, the state has re-started its land disposal program to transfer land to private individuals. The knowledge of which group will eventually control the land is a pre-requisite to economic development. The one exception to resolution is municipal entitlements. Municipal entitlements for a number of rural boroughs remain unconveyed because DNR has not had the staff to complete the public planning processes that are constitutionally required before the conveyances can be made.

An increment is being proposed to fund a comprehensive, public process to determine what land should be reclassified and made available for borough ownership. The six boroughs where this is an issue are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat. DNR would use added staff to process the borough's selections and revise land use plans to enable additional lands to be conveyed to these boroughs. The three existing municipal entitlement staff are processing higher priority parcels; the existing planning staff are assigned to priority planning projects that enable development in unplanned areas of the state. The increment would result in the transfer of 60,000 acres to these boroughs beginning in FY 04.

Denali Block:

There has been a great deal of mineral exploration in the area that indicate the potential for a significant deposit of platinum. The area is also used for recreation and camping and is important for sport hunting and subsistence. The Denali Block also includes the Tangle Lakes Archaeological district, containing more than 400 sites. DNR has placed 235,000 acres (less than 5% of the total area) on its conveyance priority list to accelerate mineral exploration. With ownership of this land, however, comes the responsibility to actively manage the land.

To accomplish the on-site management now performed by BLM, this budget increment proposes a part-time position with a vehicle and ATV that will be located during the summer months on the site. In addition, the DMLW will contract with the Division of Parks and Outdoor Recreation to continue BLM's inventory of the site so that DNR will have the knowledge to protect the resources.

Oil Safety and Development Initiative:

The DMLW is a participant in the management of Oil and Gas leases and actively manages the surface activities outside of the lease boundaries. In addition, the DMLW provides title reports to the Division of Oil and Gas for all oil and gas lease sales. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs. This increment requests two additional Natural Resource Officer II's (Range 16) to supplement the existing program.

One NRO II is within the Title Acquisition and Defense component to eliminate the 6-month backlog of title report requests for oil and gas sales. A second NRO II is within the Claims, Permits, and Leases component for initial sale review, permit issuance, and monitoring and compliance activities.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	372.1	0.0	97.3	469.4
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	7.9	0.0	2.5	10.4
FY2003 Governor	380.0	0.0	99.8	479.8

Director's Office/Mining, Land, & Water

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	6	6	Annual Salaries	294,833
Part-time	0	0	COLA	8,838
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	101,827
			Less 0.54% Vacancy Factor	(2,198)
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	403,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Division Director	1	0	0	0	1
Large Mine Project Manager	1	0	0	0	1
Natural Resource Mgr IV	1	0	0	0	1
Secretary	1	0	0	0	1
Totals	6	0	0	0	6

Parks and Recreation Management Budget Request Unit

Contact: Jim Stratton, Director

Tel: (907) 269-8700 **Fax:** (907) 269-8907 **E-mail:** Jim-Stratton@dnr.state.ak.us

BRU Mission

The Division of Parks and Outdoor Recreation provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment and welfare of the people. (Differs from SLA 2001, Ch. 90, Section 114)

BRU Services Provided

See component detail.

BRU Goals and Strategies

See component detail.

Key BRU Issues for FY2002 – 2003

See component detail.

Major BRU Accomplishments in 2001

See component detail.

Key Performance Measures for FY2003

Measure:

Parks Management - The percentage of park facilities open.
Sec 114(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

To keep the park facilities open 100% during the scheduled season for each unit.

Benchmark Comparisons:

There is no benchmark for this measure. Other States have budget problems which force closure of Park Units, but no State Park system is alike.

Background and Strategies:

There are 121 park units currently open to the public. Our strategy is to keep these units safe, clean, and properly maintained. We employ over 700 volunteers and 60 summer seasonal Alaska Conservation Corps staff, as well as our permanent park staff, combined with contracts with private vendors in order to make visits to Alaska State Parks a safe and enjoyable experience. To meet this goal, staff and operational support are necessary at some level at all sites.

In previous years, some actions were taken in response to tight budget situations:

In 2000, one park unit, (Little Tonsina State Recreation Site) was closed. Some units opened late, and others closed early.

In 1999, one park unit (Wolf Lake State Recreation Site) was closed. Others were opened late, and closed early.

In 1998, 1997, selected units were closed early or opened late.

In 1996 - one park unit (Moose Creek State Recreation Site) was closed.

In 1995 - two park units (Centennial Lake, Anchor River State Recreation Site) were closed.

In 2001/2002, many other state park systems in the Lower 48 are experiencing budget tightening and are closing parks. Tennessee announced 4 park closings in fall 2001. Iowa is closing portions of some of their units.

Measure:

Parks Management - The number of visits by site and type of visit.

Sec 114(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

While we can't predict the factors that influence visitation (fish runs, weather, gas prices, etc), our target is to sustain and/or increase the number of park visits each year.

In FY01 we received 4.1 million recreational visits to one or more of our 121 facilities, broken down in 3.1 million resident visits and roughly 1.0 million non-residents visits in the following areas:

State Area	Resident	Non-Resident	Total
Northern	437,980	206,737	644,717
Mat-Su/CB	720,103	252,150	972,253
Chugach	860,597	105,061	965,658
Kenai/PWS	685,711	122,050	807,761
Kodiak	155,950	36,444	192,394
Wood-Tikchik	86,413	16,055	102,468
Southeast	230,569	245,656	476,225
Total	3,177,323	984,153	4,161,476

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The number of visitors is difficult to define as many of them are repeat customers, so we measure the number of visits by site. All of this is captured in a very detailed "Cluster" booklet, which is available upon request.

Measure:

State Historic Preservation - The percentage of reported identified historic properties entered on the state inventory.

Sec 114(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Targets:

Identify: 1,000 new sites reported

Document: 400 new sites entered into inventory, 350 site entries updated

Evaluate: 200 properties for historic significance

With current staff the percentage is expected to be at 65%.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Identifying, evaluating and documenting historic sites and buildings provides information on historic significance, which is used to protect sites potentially impacted by development or to identify opportunities for heritage tourism development. These activities are an integral part of the national historic preservation program the Office of History and Archaeology administers.

State Historic Preservation offices develop and maintain inventories of historic and prehistoric properties. In Alaska, this process has relied mainly on information provided by local governments and federal agencies. The information is stored in both electronic and paper formats.

Measure:

Parks Management - The amount of dollars generated from sources other than the state government for trail maintenance and site development.

Sec 114(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

To secure a continued increase in the amount of federal and private dollars available for park facility development and trail maintenance.

1999	\$728.0	Available
2000	\$857.0	Available
2001	\$946.0	Available
2002	\$1,334.0	Estimate Available

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

While we cannot control the amount of money coming to Parks from the federal government through National Recreation Trail and Land and Water Conservation Fund grants, we can continue to educate local governments, trail clubs, and other decision makers about the importance of these programs to Alaska. We expect to see \$1,500.00 in 2003.

These figures do not include funds received from the federal highway administration through DOT or sportfish access funds through ADF&G. We regularly do millions of dollars of construction, through contracts with the private sector. During summer of 2002, we expect to have over \$15 million of projects in the works. However, these funds come into the state budget through DOT and ADF&G, so are not reflected here.

Measure:

Parks Management - The level of deferred maintenance in state parks.

Sec 114(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

To steadily reduce the identified \$42 million in deferred maintenance and ADA upgrades in the park system.

Inventory of Deferred Maintenance in state parks:

1998 - \$35 million in deferred maintenance identified in division facility summary

2001 - \$42 million in deferred maintenance identified in division facility summary

Funding to address this Deferred Maintenance:

1996 - No funds for maintenance

1997 - \$150.0 in CIP for emergency repairs

1998 - \$200.0 in CIP for emergency repairs

1999 - \$200.0 in CIP for emergency repairs

2000 - \$200.0 in CIP for emergency repairs

2001 - \$286.0 in CIP for emergency repairs

2001 - \$168.0 in CIP for Park upgrades

2002 - \$286.0 in CIP for emergency repairs

At the current rate of funding our inventory of deferred maintenance will continue to grow.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Parks has been unable to address this growing backlog due to lack of CIP funds. For the years 1996 to 2002, Parks averaged only \$212.0 annually in the capital budget for deferred maintenance and then only for those repairs tied to health and human safety. Some facilities that are along a highway corridor can be upgraded with Federal Highway - TEA 21 funds so long as we fit the TEA 21 criteria. Campgrounds CANNOT be built or upgraded with TEA 21 funds. Parks has been successful in addressing some of its needs through this channel and will continue to do so. Facilities that involve powerboat and angler access can be fixed with our partnership with ADF&G for federal sportfish access funds for boat launch ramps.

Funds from TEA 21 and ADF&G, however, do not cover the majority of our deferred maintenance needs. Parks needs significant funds dedicated to this problem. The use of federal Land & water Conservation fund moneys can only be used for facility development if the state provides a 50% match. In addition to LWCF, Parks could address these problems through funds raised by bonds.

Parks and Recreation Management
BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
Formula												
Expenditures												
None.												
Non-Formula												
Expenditures												
State Historic Preservation	284.1	99.5	759.3	1,142.9	289.3	336.5	705.2	1,331.0	294.2	340.3	715.1	1,349.6
Parks Management	5,402.9	0.0	698.7	6,101.6	5,460.8	40.0	159.6	5,660.4	6,305.4	40.0	380.6	6,726.0
Parks & Recreation Access	0.0	22.5	2,077.8	2,100.3	0.0	23.4	2,048.1	2,071.5	0.0	23.5	1,989.1	2,012.6
Totals	5,687.0	122.0	3,535.8	9,344.8	5,750.1	399.9	2,912.9	9,062.9	6,599.6	403.8	3,084.8	10,088.2

Parks and Recreation Management
Proposed Changes in Levels of Service for FY2003

See component detail.

Parks and Recreation Management
Summary of BRU Budget Changes by Component
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	5,750.1	399.9	2,912.9	9,062.9
Adjustments which will continue current level of service:				
-State Historic Preservation	4.9	3.8	9.9	18.6
-Parks Management	83.7	0.0	106.0	189.7
-Parks & Recreation Access	0.0	0.1	-59.0	-58.9
Proposed budget increases:				
-Parks Management	760.9	0.0	115.0	875.9
FY2003 Governor	6,599.6	403.8	3,084.8	10,088.2

Component: State Historic Preservation Program

Contact: Judy Bittner, Chief, History and Archaeology

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Component Mission

The Division of Parks and Outdoor Recreation provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people. (Differs from SLA 2001, Ch. 90 Section 114)

Component Services Provided

As the State of Alaska's historic preservation agency, the Office of History and Archaeology oversees statewide programs to identify, document, protect and restore sites and buildings, and to educate Alaskans and visitors about the state's heritage resources. The Office of History and Archaeology and the Alaska Historical Commission provide policy and program advice to the Commissioner, Governor and Legislature concerning history and prehistory, historic sites and buildings, and geographic names. The Office administers the national historic preservation program in Alaska, as set forth in the National Historic Preservation Act, and serves as State liaison to federal agencies, representing the State's interests in protecting its heritage resources. The national programs include historic preservation planning, survey, nomination to the National Register of Historic Places, public education and training, investment tax credits, project reviews, maintenance of statewide inventory, and local government assistance through its Certified Local Government program. To carry out these programs, the Office of History and Archaeology seeks partnerships with local governments, Native organizations, historical societies, non-profit organizations, private owners, and federal and state agencies.

Component Goals and Strategies

To administer a statewide historic preservation program to identify, document, protect and restore sites and buildings, and to educate Alaskans and visitors about the state's heritage resources.

- I. Review and comment on proposed state and federally assisted projects for impacts to historic properties.
 - A. Review approximately 2500 projects to determine whether or not historic properties may be impacted and provide comments to agencies.
 - B. Consult with federal agencies and/or their delegated representatives through the Section 106 process on impacts of federal undertakings on historic properties.
 - C. Participate in developing Memorandum of Agreements for mitigation of adverse effects to historic properties.
 - D. Participate in developing Programmatic Agreements with federal agencies to streamline Section 106 review process.
- II. Provide high quality archaeological and historic research services to state agencies and other governmental entities.
 - A. Conduct research services and produce reports meeting state and federal professional standards, documenting findings of research and surveys.
 - B. Provide technical assistance to heritage tourism and interpretive programs.
- III. Administer federal historic preservation program and provide technical assistance to property owners and land managers for identification and protection of historic and archaeological resources.
 - A. Provide grants to local governments and historic property owners for historic preservation planning, education, survey, nomination to the National Register of Historic Places, restoration and rehabilitation.
 - B. Provide information and technical assistance on the federal investment tax credit program and review tax credit applications for certification.
 - C. Provide technical assistance to heritage tourism and interpretive programs.
 - D. Provide information, technical assistance and consultation on standards for appropriate treatments for archaeological sites and historic buildings, sites, objects and landscapes to government agencies and private historic property owners concerned with historical integrity and adaptive reuse issues.
 - E. Assist property owners listing historic properties in the National Register of Historic Places.
- IV. Assist development of new preservation programs and strengthen existing programs in local communities.

- A. Certify interested local governments whose historic preservation programs qualify for the state's Certified Local Government Historic Preservation Program.
- B. Provide training and program development assistance through workshops, individualized assistance, and grants.

V. Coordinate and plan special initiatives and projects in cooperation with other agencies.

- A. Serve as co-chair of the Alaska Gold Rush Centennial and the Nike Site Summit task forces.
- B. Administer Gold Rush programs and activities, including grant, interpretive, and outreach programs.
- C. Coordinate with Department of Education, Alaska Humanities Forum and others on development of high school Alaska history curriculum.

VI. Maintain the Alaska Heritage Resources Survey and provide information to private and public sectors for use in developing strategies for protecting cultural resources.

- A. Add a minimum of 500 new sites per year and make information available to qualified users.
- B. Maintain a database of survey and inventory report information.
- C. Provide comment on cultural resource management policy and issues in state, federal and industry planning documents.

VII. Contribute to public education by publishing a newsletter and supporting activities associated with Archaeology Week, Preservation Week, and History Day.

- A. Publish monthly electronic Heritage newsletter.
- B. Promote and support activities associated with Archaeology Month, Historic Preservation Week, and History Day.
- C. Coordinate Alaska Project Archaeology program. Organize a minimum of one training a year.

VIII. Administer the state's geographic names program, including preparing proposals to name physical features in Alaska for consideration by the Alaska Historical Commission and submitting results to the U.S. Board of Geographic Names.

- A. Prepare informational materials for the program and respond to inquiries from the public.
- B. Prepare geographic names proposal packages for review by the Alaska Historical Commission, the state review board, and submit completed actions to the U.S. Board of Geographic Names.

Key Component Issues for FY2002 – 2003

The Office of History and Archaeology's responsibility with the federal Section 106 process expanded substantially with the new Advisory Council on Historic Preservation regulations (36CFR800) that went into effect in 1999. Under the Section 106 process, federal agencies must consult with the State Historic Preservation Office on all undertakings that may affect historic properties. The new regulations enable the State Historic Preservation Office to conclude the process with the federal agency without the involvement of the Advisory Council. The changes place a heavy burden on the state. During the third year under the new regulations, focus will be on improving the federal agencies into compliance with 36 CFR 800 regulations.

The federal Historic Preservation Fund allocation for the State Historic Preservation Program provides an opportunity to meet critical statewide historic preservation needs in the private and public sector through a modest grants program. The Office of History and Archaeology will work with the Alaska Historical Commission and seek public input on how best to invest historic preservation grant monies in preserving, protecting and interpreting our heritage resources.

Major Component Accomplishments in 2001

1. Reviewed over 2,400 projects for impacts to historic properties. Eighteen Memorandum of Agreements and three Programmatic Agreements signed.
2. Eleven historic preservation grants active as part of mitigation agreement for a Fairbanks road project.
3. Conducted Section 106 training for agencies and contractors.
4. Produced eight cultural resource survey reports: five full survey reports and three short reports.
5. Evaluated 343 properties for eligibility to the National Register for Historic Places; 38 determined eligible.
6. Six new listings in the National Register of Historic Places.
7. Eighteen Certified Local Government grants active in FY2001, seven of which were completed.
8. Gold Rush Task Force: Three grants completed. Fifteen interpretive signs for Central Region and one for three Alaska Marine Highway vessels completed. Ten Gold Rush signs are underway.
9. Nike Site Summit Task Force continued work in partnership with the Army. Draft report out for review.

10. Alaska Heritage Resource Survey: 666 new sites entered, 1,844 sites updated.
11. U.S. Board of Geographic Names took action on nine Alaskan proposals submitted by the Alaska Historical Commission.
12. Twelve development grants awarded from Historic Preservation Fund program.
13. Pass through grant to Alaska Moving Images Preservation Association awarded and completed.

Statutory and Regulatory Authority

AS41.35
AS44.37
P.L. 96-515

State Historic Preservation Program

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	955.6	938.8	957.4
72000 Travel	41.6	88.5	88.5
73000 Contractual	110.4	268.4	268.4
74000 Supplies	32.1	35.3	35.3
75000 Equipment	3.2	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,142.9	1,331.0	1,349.6
Funding Sources:			
1002 Federal Receipts	99.5	336.5	340.3
1003 General Fund Match	284.1	289.3	294.2
1007 Inter-Agency Receipts	34.1	215.6	217.5
1053 Investment Loss Trust Fund	5.0	0.0	0.0
1055 Inter-agency/Oil & Hazardous Waste	8.7	14.8	15.1
1061 Capital Improvement Project Receipts	711.5	474.8	482.5
Funding Totals	1,142.9	1,331.0	1,349.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	7.7	5.0	5.0	10.0	10.0
Unrestricted Total		7.7	5.0	5.0	10.0	10.0
Restricted Revenues						
Federal Receipts	51010	99.5	336.5	336.5	340.3	340.3
Interagency Receipts	51015	34.1	215.6	215.6	217.5	220.0
Capital Improvement Project Receipts	51200	711.5	474.8	474.8	482.5	500.0
Interagency Recs./Oil & Hazardous Waste	51395	8.7	14.8	14.8	15.1	15.1
Restricted Total		853.8	1,041.7	1,041.7	1,055.4	1,075.4
Total Estimated Revenues		861.5	1,046.7	1,046.7	1,065.4	1,085.4

State Historic Preservation Program
Proposed Changes in Levels of Service for FY2003

No service changes.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	289.3	336.5	705.2	1,331.0
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	4.9	3.8	9.9	18.6
FY2003 Governor	294.2	340.3	715.1	1,349.6

State Historic Preservation Program

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	13	12	Annual Salaries	722,073
Part-time	3	4	COLA	14,600
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	259,696
			Less 3.91% Vacancy Factor	(38,969)
			Lump Sum Premium Pay	0
Totals	16	16	Total Personal Services	957,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk III	1	0	0	0	1
Archaeologist I	4	0	0	0	4
Archaeologist II	3	0	0	0	3
Archaeologist III	1	0	0	0	1
Chf Off of Hist & Archaeology	1	0	0	0	1
Historian I	2	0	0	0	2
Historian II	1	0	0	0	1
Historian III	1	0	0	0	1
Natural Resource Tech I	2	0	0	0	2
Totals	16	0	0	0	16

Component: Parks Management

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Component Mission

The Division of Parks and Outdoor Recreation provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people.

Component Services Provided

- 1) Park Maintenance and Operations provides for: repair and replacement of worn or vandalized facilities, refuse collection, volunteer support, janitorial maintenance, latrine pumping, painting, installing signs, printing park brochures, developing visitor information kiosks, water testing, trail maintenance, road grading, snow removal, telephone service, purchase and repair of tools and equipment, and compliance with health and safety practices required by OSHA.
- 2) Public Safety: Trained park staff render first aid to accident victims, coordinate search and rescue missions, educate visitors about wildlife and other natural hazards, and deter crime and behavior disruptive to park visitors. 31 Park Rangers are commissioned as Peace Officers.
- 3) Resource Management: Park staff manages public use at 121 state park units spread across 3.3 million acres, much of which is intensely used. This use often requires careful planning and supervision to balance conflicting activities, to evaluate and mitigate the impacts of natural occurrences, such as avalanches or disastrous flooding, or to minimize human impacts such as river bank degradation from angler foot traffic.
- 4) Managing Traditional Uses: Permit 600 commercial operators to ensure client safety and resource protection, reduce conflicts with traditional non-commercial park users, and support local economic development.
- 5) Volunteerism: Last year over 700 persons volunteered for jobs from campground hosts to crime stoppers in our Park Watchers program. Fourteen park advisory boards help park managers involve the local community in local park issues.
- 6) Fee Collection: operate the necessary infrastructure and staffing to collect and account for over \$2.2 million in user fees, collected at 64 sites and 45 Public use Cabins.
- 7) Manage Contract Operations: Twelve state park sites, including two historic sites, two visitor/nature centers and eight campgrounds are operated by private contractors. Parks manages three concession contracts, including two tractor launches and one historic site.

Component Goals and Strategies

I. To operate a safe, clean, and well maintained facilities in 121 State Park units and provide prompt, friendly, and courteous service to more than 3.8 million Alaskan and non-resident visitors.

A. On a daily basis, ensure that park facilities are accessible, clean, litter-free, safe from wildlife or natural hazards, and have sanitary, odorless restrooms.

B. Paint furniture and structures every two years, or as needed.

C. Repair vandalism and safety hazards upon detection.

D. If funds allow, repair 2.5% of the maintenance backlog on buildings, campgrounds, roads, water systems, and trails.

E. Operate 12 entrance stations at high-use facilities to ensure that visitors feel welcome, feel safe, are well informed, and pay required fees.

F. Operate 78 facilities with campground hosts to greet the public and assist with information dissemination, fee collection, minor maintenance, and reduction in disruptive behavior.

II. To provide public safety and resource protection in 121 state park units.

A. Provide training and staff mentors necessary for 31 Park Rangers to carry Peace Officer commissions from the Commissioners of Natural Resources and Fish and Game.

B. Provide five days of law enforcement refresher training for 31 commissioned Park Rangers.

C. Reduce expenses caused by vandalism and disruptive behavior by 10% from the 2001 expense of \$7,249 in 8 incidents.

D. Assist with search and rescue operations (43 operations in FY01) in State Parks.

E. Provide emergency assistance (87 requests in FY01) to park visitors as needed.

F. Reduce injuries to park staff and volunteers by 10% (20 injuries in FY01).

G. Develop agreements with state and federal agencies to provide for boating safety patrols.

III. To provide education and information to outdoor recreators and park visitors to enhance their experience, knowledge, and safety.

A. Operate one Junior Ranger program (S. Kenai).

B. Operate nine existing visitor centers/visitor contact stations (Independence Mine, Ft. Abercrombie, Shuyak Island, S. Kenai, Morgan's Landing, Finger Lake, Harding Lake, Potter Section House, and Alaska Veterans Memorial).

C. Have each Ranger provide at least 2 hours of education/interpretation for park visitors per pay period.

D. Install 100 cultural and natural history interpretive displays at state park facilities.

E. Maintain a program of educational and information publications.

F. Participate in staffing of Kenai River Center.

G. Provide two volunteers to the state-run Tok Alaska Public Land Information Center (APLIC) and two volunteers for the Anchorage APLIC.

H. Contract for operation of a visitor contact center, interpretive trail and scenic overlook at Worthington Glacier with Alaska Natural History Association.

I. Contract for operation of Eagle River Nature Center with Friends of Eagle River Nature Center.

J. Provide interpretive programming assistance to the Princess Lodge in Denali State Park with a \$26.0 contract received as SD/PR.

K. Have all park units described on the Parks web site and linked to additional appropriate sites.

L. Develop a series of outdoor recreation safety posters.

M. Coordinate with Friends of Eagle River Nature Center, Twin Bears Outdoor Education Association, Friends of Independence Mine, Friends of Kachemak Bay, Friends of State Parks, Mat-Su, and Friends of Kodiak State Parks and other support organizations to provide outdoor education information and opportunities to park visitors.

IV. To support the visitor, recreation, and heritage tourism industry.

- A. Review existing permits for renewal of and improvement to private contract management of eight campgrounds, two historic sites, and two nature centers.
- B. Review and issue 600 permits for commercial activities on park lands.
- C. Attend, as an advisor, at least one Alaska Travel Industry Alliance meeting a year.
- D. Attend the Alaska Wilderness Recreation and Tourism Association ecotourism workshop.
- E. Manage three park concession contracts at Big Delta State Historic Park, Deep Creek State Recreation Area, and Anchor River State Recreation Area.
- F. Solicit proposals for commercial operation of historic buildings at Independence Mine SHP.
- G. Participate in the Nike Site Summit Task Force and the Nature Center at Potter Marsh working group.

V. To plan park and statewide outdoor recreation use and management so as to conserve natural and historic resources, improve recreation opportunities, and minimize user conflicts.

- A. Update master plan for Wood-Tikchik State Park, Chena River State Recreation Area, and the Alaska Chilkat Bald Eagle Preserve.
- B. If funding is made available, develop a trail plan for the southern end of Curry Ridge in the vicinity of the Mt. McKinley Princess Hotel.
- C. Provide leadership in developing a comprehensive winter trails system in the Mat-Su Valley.
- D. Prepare an environmental document and begin design on the proposed Upper Copper River Trail.

VI. To involve the public in park operations and management decisions.

- A. Recruit and manage 700 Volunteers in the Parks.
- B. Do 25 public presentations about parks and the park system to interest groups and citizen forums.
- C. Facilitate regular meetings of 14 citizen advisory committees and the appointment of new members as directed by policy.
- D. Solicit public participation through meetings, workshops and hearings as needed for proposed park regulations, proposed park development, management plan revisions, and controversial commercial use permits.

VII. To Administer the State Park System so as to achieve its other goals.

- A. Collect \$2.2 million in user fees.
- B. Increase Commercial camping pass to \$200 (double the \$100 resident fee).
- C. Maintain a fleet of 108 vehicles and 53 boats for park ranger and park manager use.
- D. Maintain a system-wide radio communications network. Participate in state-wide solution to radio communications operations.
- E. Have an annual fall conference and spring ranger law enforcement in-service refresher to provide regular and pertinent training and communication for all park staff.

- F. Prepare timely financial reports for management purposes.
- G. Prepare annual operating goals and objectives and annual budget requests.
- H. Promote interagency cooperation with other agencies such as Alaska State Troopers, divisions of Mining, Land and Water, and Forestry, US Coast Guard, US Forest Service, and US Fish and Wildlife Service to develop partnerships on park management and outdoor recreation projects and policies.
- I. Maintain, publish, and disseminate accurate visitor counts for all park units.
- J. Maintain an accurate and up-to-date spreadsheet on all pending park development projects, regardless of funding source.
- K. Identify, test and implement new park management techniques to improve cost effectiveness, worker safety, and management efficiencies.

Key Component Issues for FY2002 – 2003

1. Deferred maintenance of park facilities is fast approaching a crisis situation. The impact to the health and safety of park users from old and broken facilities is very real. In FY 2001, Parks staff revised its statewide deferred maintenance summary to reflect a \$42 million backlog of needed repairs and upgrades. Parks will be working to identify significant sources of new funds through federal appropriations and state-supported bonds to address this multi-million-dollar problem.
2. New commercial uses are conflicting with traditional commercial and non-commercial uses in Wood-Tikchik State Park and the Alaska Chilkat Bald Eagle Preserve. The need to manage these new uses to minimize conflicts will be addressed through updates to existing management plans.
3. Continue cooperative work with DOTPF for operation and maintenance of roadside facilities for the safety of Alaska's drivers.
4. Improve maintenance of park facilities by increasing the number of months that park maintenance workers and Rangers are on the job.
5. Provide entry-level Park ranger positions with full-time employment to secure a qualified pool of trained rangers for anticipated retirements of several key district rangers. Implement new Ranger reclass proposal to provide for non-commissioned entry-level Park Ranger position.
6. Sustain the park user fee program to cover the increasing cost of maintaining and operating an expanding state park system and recent facility upgrades. Increased visitation and compliance will increase revenues.
7. Re-prioritize the budget to address increased fuel and radio costs and significant increases in contract cost of toilet cleaning. Cost in Chugach State Park went up 250%.
8. Continue compliance with health and safety practices required by OSHA. The ability to comply has been impacted by deferred maintenance needs and staffing limitations.
9. Maintain the volunteer program to assist staff with fee compliance, deterring vandalism, cleaning parks, and visitor contact. Provide the necessary staff, training, and material support to keep park volunteers, especially campground hosts. A reduction in summer seasonal hires continues to reduce the amount of time Park Rangers can spend supporting volunteers. This is having an impact on our ability to recruit and maintain quality campground hosts.
10. Enhance staff training as it relates to volunteer supervision, health and safety practices required by OSHA, law enforcement, resource management, and visitor services so as to maximize the benefits of a reduced number of

campground hosts, minimize work related illness and injury, reduce equipment repair or replacement cost, and to reduce overall liability to the State. Address the safety implications of a staff continually pressed to do more with less.

11. Support the contract operation and maintenance of twelve Park Facilities. Manage the existing three park concession contracts.

12. Continue land exchanges necessary for successful concession management of historic buildings at Independence Mine SHP. Seek private partner for concession contract to adaptively re-use historic buildings as a visitor destination.

13. Participate in the planning and support, when possible, for the proposed nature center at Potter Marsh and the proposed tourism development at the Nike Site Summit adjacent to Chugach State Park.

Major Component Accomplishments in 2001

1. About 4.1 million recreational visits to one or more of our 121 facilities.
2. User fees cover approximately 35% of our operating Budget
3. Over 600 commercial operators make some or all of their livelihood off park resources.
4. 700 park volunteers donated 98,888 (9% increase over FY00) hours to the park system in FY01.
5. Thirty-one commissioned Park Rangers continued to make law enforcement contacts - making the parks safe.
6. Parks provided more than 60 summer jobs.
7. The public is involved in park management decisions through 14 advisory boards.
8. The Deferred Maintenance Summary was updated. New backlog total is \$42 million.
9. Deep Creek/Ninilchik Park Management Plan completed and signed by Director. Concession contract for Deep Creek tractor launch successfully renegotiated.
10. Preliminary exchange agreement signed for another land trade at Independence Mine State Historic Park to further the division's goal of private management of the park's historic buildings.
11. An agreement was reached with the Alaska Natural History Association for private management of new facilities at Worthington Glacier State Recreation Site.

Statutory and Regulatory Authority

AS 41

Parks Management

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,384.5	3,696.1	4,612.0
72000 Travel	74.5	58.4	58.4
73000 Contractual	1,224.2	1,522.2	1,618.9
74000 Supplies	357.3	340.4	393.4
75000 Equipment	46.1	28.3	28.3
76000 Land/Buildings	15.0	0.0	0.0
77000 Grants, Claims	0.0	15.0	15.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,101.6	5,660.4	6,726.0
Funding Sources:			
1002 Federal Receipts	0.0	40.0	40.0
1004 General Fund Receipts	3,484.6	3,512.1	4,080.9
1005 General Fund/Program Receipts	1,918.3	1,948.7	2,224.5
1007 Inter-Agency Receipts	403.9	79.5	299.7
1053 Investment Loss Trust Fund	52.5	0.0	0.0
1061 Capital Improvement Project Receipts	183.3	0.0	0.0
1108 Statutory Designated Program Receipts	59.0	80.1	80.9
Funding Totals	6,101.6	5,660.4	6,726.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	174.5	0.0	185.0	0.0	0.0
Unrestricted Total		174.5	0.0	185.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	0.0	40.0	40.0	40.0	40.0
Interagency Receipts	51015	403.9	79.5	184.5	299.7	299.7
General Fund Program Receipts	51060	1,918.3	1,948.7	1,948.7	2,224.5	2,224.5
Statutory Designated Program Receipts	51063	59.0	80.1	75.6	80.9	80.9
Capital Improvement Project Receipts	51200	183.3	0.0	0.0	0.0	0.0
Restricted Total		2,564.5	2,148.3	2,248.8	2,645.1	2,645.1
Total Estimated Revenues		2,739.0	2,148.3	2,433.8	2,645.1	2,645.1

Parks Management

Proposed Changes in Levels of Service for FY2003

- 1) The purchasing power of the Parks budget has not kept up with the steady increase in park use as Alaska's population increases and our visitor numbers continue to grow. This problem is exacerbated through inflation and increased charges from other units of government passing on their budget and inflationary cuts to Parks. The already tight budget is further stretched with additional operation and maintenance responsibilities for new or rehabilitated facilities brought on line. In FY 2003, an increment of \$700.0 will begin to reverse the negative slide as a result of increased operations costs, and declining purchasing power. Our focus in FY03 is on increasing months of employment for existing staff for routine annual park maintenance and operations. Not only does this provide additional needed service to the parks and for park users, but also has the effect of retaining entry-level park employees whose expertise will be needed for positions that are opening in the next five years as a majority of District Rangers and Superintendents are expected to retire. The increment will allow nineteen current Park employees to see increased employment seasons from one to four months. Eight new permanent positions will be created (2 maintenance workers, 2 park rangers, 3 ranger assistants, and 1 fee collection manager). With this increment we should not have to reduce any hours of operations or close any facilities.
- 2) The deferred maintenance backlog continues to grow. An inventory completed in FY 01 showed a \$42 million backlog. This level of deferred maintenance is completely overwhelming to the small maintenance staff at Parks. Without significant resources focused on deferred maintenance, the Park system will continue to degrade resulting in fewer park users at the most "broken" facilities and visitor dissatisfaction throughout the park system. The \$700.0 increment will primarily focus on annual maintenance to stem the further decline of Park facilities. A funding source for the major investment needed to reduce the backlog still needs to be identified. Parks is looking at a combination of federal funds and possible bonding to begin addressing this larger problem.
- 3) Park use continues to increase which has an impact on our ability to provide services at the existing level. More users require more attention to routine maintenance, toilet cleaning and pumping, user conflict resolution, law enforcement, and daily operations, including counting more fee revenue. This increased activity costs money. The proposed increment will help Parks address its growing operational costs by focusing on increased maintenance and daily operations.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	5,460.8	40.0	159.6	5,660.4
Adjustments which will continue current level of service:				
-Transfer excess interagency receipt authorization from Parks & Recreation Access ADN #10-2-4019	0.0	0.0	100.0	100.0
-Year 3 Labor Costs - Net Change from FY2002	83.7	0.0	6.0	89.7
Proposed budget increases:				
-Parks Improved Maintenance, Safety, and Fee Collection	700.0	0.0	0.0	700.0
-Increased Costs for Radio Circuits	40.7	0.0	0.0	40.7
-Fuel Cost Increases	20.2	0.0	0.0	20.2

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
-Interagency Receipts from Fish & Game for Dingle Johnson Federal Grant Projects	0.0	0.0	115.0	115.0
FY2003 Governor	6,305.4	40.0	380.6	6,726.0

Parks Management

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	34	50	Annual Salaries	3,546,573
Part-time	46	41	COLA	83,724
Nonpermanent	57	58	Premium Pay	1,543
			Annual Benefits	1,272,841
			<i>Less 5.97% Vacancy Factor</i>	(292,681)
			Lump Sum Premium Pay	0
Totals	137	149	Total Personal Services	4,612,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech II	1	0	0	0	1
Administrative Assistant	2	1	1	1	5
Administrative Clerk II	0	1	0	1	2
Administrative Clerk III	1	0	0	0	1
Administrative Manager III	1	0	0	0	1
Alaska Conservation Corps	8	13	9	28	58
Division Director	1	0	0	0	1
Engineer/Architect III	1	0	0	0	1
Maint Gen Journey	1	1	0	2	4
Maint Gen Sub - Journey I	1	0	0	2	3
Maint Gen Sub - Journey II	0	1	0	1	2
Natural Resource Mgr IV	1	0	0	0	1
Natural Resource Off I	1	0	0	0	1
Natural Resource Tech I	0	0	0	6	6
Natural Resource Tech II	2	0	1	9	12
Park Ranger I	3	4	0	19	26
Park Ranger II	2	1	1	11	15
Park Superintendent	1	1	1	2	5
Radio Dispatcher I	0	0	0	2	2
Radio Dispatcher III	0	0	0	1	1
Secretary	1	0	0	0	1
Totals	28	23	13	85	149

Component: Parks & Recreation Access

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Component Mission

The Division of Parks and Outdoor Recreation provides outdoor recreation opportunities including development of local park and recreation facilities and programs; and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people. (Differs from SLA 2001, Ch. 90, Section 114)

Component Services Provided

- A. Facility design and construction: Access to park resources is improved and expanded through coordinated site planning with local communities. Design, engineering and construction management will be done by parks staff with actual construction done by the private sector contractors. Access includes new or improved trails, boat launch ramps, docks, campgrounds, public use cabins, and trailhead parking lots. To the extent possible, all facilities are ADA accessible.
- B. Improve public health and safety: Developing roadside scenic overlooks provides travelers with a safe, off the road facility from which to view Alaska's scenic and wildlife wonders. Regularly spaced roadside rest areas provide the public with clean and regularly serviced toilets.
- C. Trail development and administration: Creating the opportunity for a coordinated statewide trail system for all seasons with motorized and non-motorized trails for residents, and to support the visitor industry. Protection of existing trail system through easements acquisition and dedication.
- D. Grants Administration: Support for outdoor recreation opportunities beyond state park boundaries is provided by two federal grants programs administered by Parks; Recreational Trails Program (RTP) and Land and Water Conservation Fund (LWCF). RTP provides grants to local trail clubs and both programs provide support to municipalities.
- E. Improve recreational boater safety: Recreational boating safety education is the responsibility of the Alaska State Parks. Safe boating practices will be encouraged through training and education programs and distribution of boating safety materials.
- F. Provide Interpretive and Education Opportunities: Develop displays containing safety, educational and informational messages to aid the visitor's welfare and enjoyment of cultural and natural resources. Management of the natural and cultural resources will be improved by the development of interpretive displays that will educate and inform the visitors about specific resource topics and concerns.

Component Goals and Strategies

To enhance the state park system, outdoor recreation, and community parks through land acquisition, facility improvement and development of new facilities.

- A. Plan and prepare a \$250.0 Parks Emergency Repair capital budget for legislative consideration. Prepare other CIP requests as requested by Commissioner.
- B. Prepare a \$1.2 million Park Upgrade capital budget request for legislative consideration.
- C. Coordinate protection of popular trails of regional significance through implementation of the Recreational Trails Easement Recording Program.
- D. Be a lead agency in the Governor's Trails and Recreational Access for Alaska, or TRAAK, project. Help plan the agenda and attend three board meetings a year.

E. Secure and manage funds and development of park facilities through DOT's TEA21/TRAAK program. Existing transportation enhancement projects include Eagle Beach SRA Trailhead and Wayside, East Fork Chulitna Wayside, Canyon Creek Wayside, Gulkana River Wayside, Hatcher Pass Scenic Overlooks and Trailheads - Phase 2, Totem Bight SHP Wayside, Deep Creek SRA Beach Access, Cooper River Trail, Chena Pump Scenic Wayside, Byers Lake RV Dump Station, Potter Marsh Trailhead and Access Improvements, and Anchor Point Pedestrian Beach Access.

F. Targeted new projects include Delta Junction ARC Interpretive Center, Clam Gulch Beach Access, Chena River SRA - Phase 2, Kenai River Sportsman's Boardwalk, Kenai River Flats Interpretive Site Improvements, Byers Lake Scenic Overlook and Access, Independence Mine SHP Trailhead and Interpretation, Clam Gulch: Caribou Hill Winter Trailhead, Nancy Lake Trailhead and Trails Improvements, Valley Winter Trailheads and Trail Markers, Willow Creek Trailhead and Trails Improvements, Fort Abercrombie Trailhead Rehabilitation, Denali View South Scenic Overlook, Eagle River Greenbelt Access, Glenn Highway Trailhead Improvements, Willow Creek Parkway Rehabilitation, Nancy Lake Parkway Rehabilitation, Porcupine Creek Trailhead Improvements, Chilkoot Lake Road Safety Improvements, Chulitna River Scenic Overlook and Wayside, Diamond Creek Scenic Overlook, Donnelly Creek Wayside, King Mountain Scenic Overlook, Moon Lake Wayside, Seward Highway Scenic Corridor Improvements MP 90-115, and Kasilof River Wayside.

G. Utilizing federal funds, remove hazardous materials and stabilize historic buildings at Independence Mine State Historic Park in preparation for partnership with private enterprise to manage historic buildings as a year around visitor destination.

H. Secure and manage funds for development of park facilities through ADF&G federal grant programs. Existing access projects include Chena Pump Boating Access, Cooper Landing Boat Ramp Repairs, Pile Driver Slough Boating Access, Chilkat State Park Boat Ramp Repairs, Deep Creek Beach Boat Ramp Repairs, Sportsman's Landing Boat Ramp Repairs, Nancy Lake SRS Boating Access, Longmere Lake Boating Access, and Talkeetna Boat Ramp Construction.

I. Targeted new boat and angler access projects include Cunningham Park Boating Access, Eklutna Tailrace Fishing Access, Kasilof River SRS Boating Access, Herring Cove Boating Access, Old Sitka Boat Ramp Parking Expansion, Moon Lake SRS Boating Access, Clearwater SRS Boating Access, and Nenana Boating Access.

J. Request and administer \$695.0 in federal Recreational Trails grant program funds for statewide trail development

K. Provide technical assistance to local government and other state agencies on the design and operation of outdoor recreation facilities.

L. Provide grants to local government with 50% of funds from the Land And Water Conservation Fund program.

M. Work with private property owners willing to donate lands to the state park system.

N. Provide Snowmobile trail grants from registration fees to clubs and agencies for improved trail and trailhead facilities.

O. Work Closely with DOT on design of roadside facilities for safety rest areas.

P. Prepare the necessary environmental documents and begin design of the Copper River Trail.

Q. Protect Rika's Roadhouse/Big Delta State Historic Park from erosion by the Tanana River. Secure matching funds for already approved participation with an Army Corps of Engineers program.

R. Develop the criteria and process for adding trails to the Alaska Trails System.

S. Support creation of a statewide trails NGO and Interagency Trails Commission.

T. Develop the Assessment of Need necessary for the State of Alaska to participate in the Forest Legacy Program.

To provide education and information to outdoor recreators to enhance their experience, knowledge, and safety.

- A. Request federal funds for operation of the Office of Boating Safety. Identify and secure the state match to ensure maximum federal funds to the program.
- B. Cooperate with local, state and federal agencies, private and public organizations and individuals to develop and deliver nationally approved, effective, and relevant boating safety education programs, with a focus on children and high risk boaters.
- C. Continue to train boating safety instructors statewide to teach the new state boating safety curriculum.
- D. Prepare a variety of boating safety educational materials for use statewide. Cooperate with paddling organizations to develop the *Alaska Paddler's Guide*.
- E. Continue to develop, expand and support the boating safety in the schools and *Kids Don't Float* programs, and support the programs of the US Coast Guard Auxiliary.
- F. In cooperation with the Alaska State Snowmobile Association, develop and implement a statewide snowmobile and avalanche safety education program.
- G. Utilize Federal Highway Funds, ADF&G Sportfish funds, federal boating safety funds, and other sources to develop and produce interpretive and educational materials to enhance the understanding of Alaska's natural and cultural resources.

Key Component Issues for FY2002 – 2003

1. Some reduction in the almost \$42 million in deferred maintenance backlog is possible through capital appropriations such as TEA 21 and ADFG Sportfish Access. Major attention to the deferred maintenance backlog will take a significant commitment of state resources. A bond issue is probably the best option for significant funds. Federal funds through Land & Water Conservation Fund will also be possible assuming there is a state match. Minimal annual maintenance is possible through capital appropriations.
2. Seek new TEA 21 projects ONLY where they replace or improve existing facilities. New facilities are being limited to those sites that can pay for themselves through fee generation.
3. Ensure efficient granting of National Recreational Trails grants and Alaska Snowmobile trails grants in accordance with grant guidelines and rules.
4. Continued annual appropriation of the stateside program of the Land and Water Conservation Fund to provide funding for state and local parks and outdoor recreation facilities
5. Implement an erosion control plan to arrest the bank displacement of the Tanana River at Big Delta State Historic Site, and with federal funds, stop the erosion before the river impacts park improvements valued at over \$3,000,000 at the site.
6. Prepare the necessary environmental documents and begin the design for the Copper River Trail.
7. Support protection of Alaska's existing trail system through a program that identifies and protects popular trails of regional significance with dedicated easements managed by either the state or local government. Assist local trail organizations and local governments to increase easement acquisition statewide for trail protection.
8. Secure full federal funding of the Alaska Boating Safety program (Alaska is not currently receiving full federal funds due to lack of match). Full federal funding is dependent upon an equal expenditure of state funds for boating projects. Developing and implementing this program to provide quality educational programs for Alaskan Boaters is a key issue.
9. Complete restoration and development of outdoor recreation opportunities in the spill region funded through the Marine Recreation Project.

Major Component Accomplishments in 2001

1. Alaskan contractors saw almost \$4.1 million in construction of park facilities. Facilities completed include:

1. Bird Creek Pedestrian Facilities
2. Central Region Gold Rush Signs
3. Bird Creek Ped Fac Materials Testing
4. Chena River SRA Transportation Enhancements
5. Lost Coast Public Use Cabins
6. Finger Lake Boating Access
7. Susitna Landing ADA Improvements
8. Birch Lake SRS Boating Access
9. Screenhouse Construction
10. Northwood Avenue Access Road
11. ARR Memorial Monument
12. North Jones, Phase V
13. Site Summit Roof Restoration
14. McKinley Mine Shaft Closure
15. Ester Dome shaft Investigation
16. Eklutna Trail Restoration, Phase II

2. Marine Recreation Facilities Development. Completed the seventh year of managing the \$11 million Marine Recreation Project in the Exxon Valdez Oil Spill Area. Project will be completed after one more season.

3. Alaska Snowmobile Trails Program. Granted \$162.4 in 13 snowmobile trail grants with capital appropriation from legislature. Grants are made by Snowmobile Trails Advisory Committee consisting of snowmobilers from across the state.

4. National Recreational Trails Program. Administered Recreational trails grant program. Issued 52 new grants to organizations and agencies statewide totaling \$661.3. Continued to monitor approximately 80 existing and continuing recreational trails grants.

5. The Alaska Office of Boating Safety was officially established and a statewide curriculum was developed in cooperation with the Alaska Marine Safety Education Association.

6. The Alaska Recreational Trails Plan was published and implementation begun. Parks secured the first trail easement for a popular trail of regional significance from the University of Alaska for snowmobile access to the Caribou Hills at Clam Gulch. Additional easement work was completed for snowmobile trail easements in the Mat-Su Valley on the Iron Dog and Crooked Lake trails.

7. Developed and produced 65 interpretive signs for installation along Alaska's highways at scenic overlooks, along trails, at boat launches, in campgrounds, and at trailheads.

Statutory and Regulatory Authority

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Parks & Recreation Access
Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,767.2	2,060.0	2,001.1
72000 Travel	5.3	3.9	3.9
73000 Contractual	43.3	6.0	6.0
74000 Supplies	9.7	1.6	1.6
75000 Equipment	274.8	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,100.3	2,071.5	2,012.6
Funding Sources:			
1002 Federal Receipts	22.5	23.4	23.5
1007 Inter-Agency Receipts	415.4	886.9	803.1
1061 Capital Improvement Project Receipts	1,662.4	1,161.2	1,186.0
Funding Totals	2,100.3	2,071.5	2,012.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	22.5	23.4	23.4	23.5	23.5
Interagency Receipts	51015	415.4	886.9	886.9	803.1	803.1
Capital Improvement Project Receipts	51200	1,662.4	1,161.2	1,161.2	1,186.0	1,186.0
Restricted Total		2,100.3	2,071.5	2,071.5	2,012.6	2,012.6
Total Estimated Revenues		2,100.3	2,071.5	2,071.5	2,012.6	2,012.6

Parks & Recreation Access**Proposed Changes in Levels of Service for FY2003**

No changes in service anticipated.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	23.4	2,048.1	2,071.5
Adjustments which will continue current level of service:				
-Transfer excess interagency receipt authorization to Parks Management ADN #10-2-4019	0.0	0.0	-100.0	-100.0
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.1	41.0	41.1
FY2003 Governor	0.0	23.5	1,989.1	2,012.6

Parks & Recreation Access**Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2002	FY2003		
	Authorized	Governor		
Full-time	32	29	Annual Salaries	1,520,171
Part-time	6	5	COLA	32,552
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	550,008
			<i>Less 4.83% Vacancy Factor</i>	(101,631)
			Lump Sum Premium Pay	0
Totals	38	34	Total Personal Services	2,001,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	1	0	0	0	1
Accounting Tech II	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Engineer/Architect I	1	0	0	0	1
Engineer/Architect II	1	0	0	0	1
Engineering Assistant I	2	0	0	0	2
Engineering Assistant II	7	0	0	0	7
Engineering Assistant III	4	0	0	0	4
Engineering Associate	1	0	0	0	1
Grants Administrator II	1	0	0	0	1
Graphic Artist II	1	0	0	0	1
Landscape Specialist	2	0	0	0	2
Landscape Supervisor	1	0	0	0	1
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Mgr II	2	0	0	0	2
Natural Resource Off II	2	0	0	0	2
Natural Resource Tech II	1	0	0	2	3
Park Ranger I	1	0	0	0	1
Totals	32	0	0	2	34

Agricultural Development Budget Request Unit

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BRU Mission

Promote and encourage development of an agriculture industry in the state.

BRU Services Provided

The Director of Agriculture manages the following programs:

1. Agricultural Development provides services aimed at improving agriculture enterprises.
2. North Latitude Plant Materials Center providing basic support for Alaska agriculture through testing, production and development of plant materials.
3. Agricultural Revolving Loan Fund is an agricultural bank extending credit to borrowers based on their ability to repay.

The Division of Agriculture, in cooperation with industry representatives and at the direction of the Commissioner of the Department of Natural Resources, administers the Governor's agricultural policy for Alaska. The division seeks to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to encourage privatization, maximize return to the state and promote economically viable development.

BRU Goals and Strategies

- Initiate Governor's goals for agriculture at the division level.
- Prepare budgets and develop policies to allow for delivery of effective state government services to the agricultural industry in the state.
- Encourage employee efficiency and industry service.
- Maintain economic development opportunities for agricultural producers, processors, and marketers to use natural resources for sustainable agricultural production.
- Encourage division staff and industry leaders to identify and promote new markets for farm products, both in state and for export.
- Maintain industry liaison with other state, federal, and municipal government agencies to influence issues related to agricultural development in Alaska.
- Coordinate activities related to USDA agreements in marketing, produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs, and phytosanitary certificates for exports.
- Work with the Department of Community and Economic Development on organic certification of wild Alaska fish by the United States Department of Agriculture. Work with organic vegetable farmers on approval of Alaska Fish fertilizer on the national approved list, and establishment of a State of Alaska certification program.
- Maintain cooperative services with USDA commodity control, insurance, conservation and lending agencies serving Alaska producers.
- Provide testing, production, development and distribution of plant materials to resource industries, meeting environmental requirements.
- Continue to develop a native seed industry.
- Assist the United States Department of Agriculture in the operation of the Arctic Germplasm Repository.
- Provide leadership and create opportunities for economic development.
- Host the 2002 (WASDA) Western Association of State Departments of Agriculture meeting.
- Initiate construction of a seed lab and quarantine station funded by the USDA.
- Coordinate, through the Natural Resource Conservation and Development Board, programs to obtain federal funding for agriculture related conservation and erosion control in Alaska.

Key BRU Issues for FY2002 – 2003

Initiate and comply with legislative changes which sunset the Agricultural Revolving Loan Fund Board and created the Board of Agriculture and Conservation. Work with the new board to educate and inform of statutory responsibilities and assist with regulation preparation for implementation of the new law.

The Plant Materials Center is having a significant problem in recruiting and retaining Agronomists. The two most recent hires have resigned for better paying jobs or jobs offering more security. Other agronomist positions that have been advertised have either failed to get applicants or in the case of one position, it was declined after it was offered. The PMC faces two obstacles in recruitment, the talent and skills are not readily available in Alaska and the entry salary in the Agronomist series is not nearly high enough to recruit let alone retain qualified applicants. This dilemma is having an effect on the PMC's ability to carry forward with the programs being awarded from federal sources.

Lack of General Funds to perform services and responsibilities and continued use of Agricultural Revolving Loan Fund source creates a long-term negative impact on the ARLF program.

Simplified regulatory services, marketing services, lending programs, and cooperation with other agencies involved in resource development.

Make agricultural land available in various parcel sizes as dictated by regional and local demand for land sales, leases, and permits as funding allows. Emphasize selling previously sold land, returned to the state through foreclosure. It is important to resell these parcels before they re-grow and the clearing investment is lost.

Through land disposals provide soil and water resources to the private sector and lands that are suitable for agriculture in sufficient amounts to encourage viable enterprises.

The Plant Materials Center provides stability in seed and potato production. It is also the leading marketer of native seed. Reclamation in the north frequently requires difficult-to-obtain plants and development of unconventional revegetation methods. In addition, seedlings, work with vegetables, berries, and revegetation plants can provide opportunities for producers to compete successfully in the marketplace. Locally adapted high-yielding grain, seed and forage plants are in demand.

Inspection and marketing activities enable Alaska's agricultural products to be sold commercially. Individuals would not be able to market these items without the Division of Agriculture's assistance. Improvements can be facilitated with commodity commission or marketing order legislation to allow for producer input and control. We provide small-scale grants for commodity group promotion efforts.

Cooperative agreements with the USDA, Federal Seed Act, National Plant Board, Animal and Plant Health Inspection Service (APHIS) have continued to generate revenue. We expect to expand our service to the military, and grocery wholesalers and retailers statewide. Potential new programs are organic product certification, feed and fertilizer registration, as well as increased bee registration and brand program assistance.

Major BRU Accomplishments in 2001

Finalized the transfer of the Palmer Trading Post and Warehouse to a private sector firm obligated to restore the buildings to National Historic Standards.

Implemented the Board of Agriculture and Conservation legislation.

Disposed of 6,445 acres of ARLF agricultural property and realized \$2.25 million return to the state.

Disposed of 5,080 acres of Title 38 agricultural property and realized \$1.38 million return to the state.

Offered a co-operative marketing program that helped producers make Alaska grown products more visible to the public. We assisted farmers in overcoming barriers in the Alaska marketing infrastructure by identifying barriers, providing consumer awareness and targeting specific markets.

Worked with the Department of Health and Social Services to expand the WIC Farmers Market Program and Senior Farmers Market Program.

Worked with the University of Alaska Fairbanks to produce a Marketing Alaska Action Plan for Potato and Vegetable Producers.

In cooperation with the Department of Corrections, Correctional Industries partially funded and accomplished Hazard Analysis and Critical Point (HACCP) program for the Mt. McKinley Meat and Sausage facility for United States Department of Agriculture mandatory compliance.

No late blight has been detected in Alaska potatoes for the past three years.

Provided a pest scout in cooperation with the University of Alaska Fairbanks.

Provided greater consumer availability of quality Alaskan grown products for market and export.

Worked with Retail Industry (Safeway) and growers to comply with Independent Third Party Audits required for certain crops before they can be sold to the retail industry. We identified a private sector provider for future years.

Monitored the state's investment in agriculture science and technology to protect and enhance the quality of Alaska's agricultural soils, seeds, plants, livestock, and associated products.

Secured federal funding to assist in developing a strong native seed industry.

Supplied essential plant materials, and new technology.

Decreased import of plant material poorly adapted to Alaska conditions.

Assisted in hosting Chinese and Taiwan delegations interested in Alaska agricultural products, including seed potato entry.

Secured federal grant funding for agriculture promotion activities will be used to increase consumer awareness.

Key Performance Measures for FY2003

Measure:

Plant Material Center - The number of improved crop accessions produced by the Plant Materials Center and grown in the state.

Sec 115(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

New crop collections grown on the PMC are 52 in initial stage, 12 in the intermediate stage and 14 in the final stage. Grown at the PMC Nursery are 18 in the research stage. Potatoes – 224 varieties are maintained on PMC soil, 86 varieties are in tissue culture, 44 varieties are in greenhouse production, and 104 varieties were sold to producers. Grain – 26 varieties.

The Plant Materials Center (PMC) documents field plantings and records planting sites. We also list sales and production in the annual report. The PMC tests and develops new crops for industry. We have an extensive program in new crop development. This is the basic purpose of the PMC. By doing demonstration projects, we market commercial production. By developing revegetation specifications, we market seed produced in Alaska. We are the state's repository for Alaska developed crops.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Seed production is a viable aspect of agriculture in Alaska. This includes both seed potatoes and true seed of grass and grain. The total value of seed production has not been achieved in the state. Demand continues to grow while supply is not keeping pace. This is an endeavor where competition from other areas can be non-existent.

We have two new large-scale commercial seed growers and distributed seed to eighteen, small-scale seed producers. We are on track with the missions and measures. However, hiring and retaining agronomists is a problem. Qualified people are not applying for the posted jobs and we lost one agronomist who left for a higher paying job. If this trend continues, it will be difficult to meet the missions and measures in the future.

Measure:

Agricultural Development - The percentage of total available agricultural acreage placed in production.
Sec 115(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

We are unable to report on the legislatively designated measure since statistics are not available to accomplish this as written.

There are currently approximately 910,000 acres of land in farms as reported by the USDA, NASS Alaska Ag Statistics. The 1992 Census of Agriculture, produced every five years, showed 927,415 Alaska acres in farms in 1992, and 881,045 acres in farms in 1997. The last reported number of 910,000 acres means that we are gaining back the acres lost between 1992 and 1997.

An increase of total acreage is the goal; however, population increase and encroachment on agricultural land make this a challenge.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

We are unable to report on the legislatively designated measure since statistics are not available to accomplish this as written. We propose the following measure: The number of acres of agricultural land in farms.

Selling new land will be critical to continued agriculture development but will be difficult due to the investment required.

Because clearing land to place in production is a multiple year process this measure is difficult to quantify. Agricultural statistics are on a one-year lagging schedule over multiple budget cycles. Our disposals should show a net increase placed in production.

Measure:

Agricultural Development - The monetary value of agricultural products grown in the state that are sold domestically or exported.
Sec 115(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

1997 - \$28,468,000
1998 - \$27,511,000
1999 - \$28,352,000
2000 - \$26,512,000
2001 - Total not available

Over a five-year to ten-year period we would like to show an average increase of 2 to 3 percent. The national averages have struggled over the last five years to show any net increase. Because Alaska agriculture is still in a development phase we hope to show small annual increases.

The split between sold domestically and exported is not a readily available number. We are working on ways to get the value broken out as requested by the legislature.

Benchmark Comparisons:

The national averages have struggled over the last five years to show any net increase. Because Alaska agriculture is still in a development phase we hope to show small annual increases.

Background and Strategies:

The statistics are always one year behind the current year. We pull the number from Alaska Cash Receipts from Farm Marketing excluding the Aquaculture industry. USDA statistics are unable to track instate or export sales. We suspect exports are in the less than 1% range of total cash receipts.

We expect increases each year but the last three reporting years show this number can quickly change due to weather conditions, marketing factors, plant or animal disease, or other factors that affect our ability to assist the industry.

Adverse weather conditions in South Central and the Interior adversely affected the 2000 growing season; thus, the monetary value fell. Weather will always play a major factor in this measure.

Agricultural Development
BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Agricultural Development	0.0	145.9	835.4	981.3	1.5	205.4	1,021.1	1,228.0	11.5	207.8	1,063.8	1,283.1
N. Latitude Plant Material Ctr	9.1	1,000.6	542.7	1,552.4	14.5	1,471.5	649.1	2,135.1	14.5	1,848.1	664.6	2,527.2
Totals	9.1	1,146.5	1,378.1	2,533.7	16.0	1,676.9	1,670.2	3,363.1	26.0	2,055.9	1,728.4	3,810.3

Agricultural Development

Proposed Changes in Levels of Service for FY2003

The Plant Materials Center – Alaska Seed Growers assistance program will coordinate seed production with the primary user (DOT/PF). Reliable availability has been a persistent problem for DOT/PF. By coordinating production with future design requirements availability problems will be resolved. Additionally the project will develop training programs for engineers and seed growers, provide on farm and project technical assistance assure maximum production and effective and efficient use of seed. \$350.0 is requested for first year of grant.

Soil and Water District activity in Alaska has increased and the Board requested an increase of \$10.0 GF.

The Land and Contract program is no longer funded through ARLF-funded CIP and IA. It is switched to the Land Disposal Income Fund in the FY03 budget.

Agricultural Development

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	16.0	1,676.9	1,670.2	3,363.1
Adjustments which will continue current level of service:				
-Agricultural Development	0.0	2.4	17.3	19.7
-N. Latitude Plant Material Ctr	0.0	26.6	15.5	42.1
Proposed budget increases:				
-Agricultural Development	10.0	0.0	25.4	35.4
-N. Latitude Plant Material Ctr	0.0	350.0	0.0	350.0
FY2003 Governor	26.0	2,055.9	1,728.4	3,810.3

Component: Agricultural Development

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Component Mission

Promote and encourage development of an agriculture industry in the state.

Component Services Provided

The Director of Agriculture through the Agricultural Development components manages the following programs:

1. Agricultural Development provides services aimed at improving agriculture enterprises.
2. North Latitude Plant Materials Center providing basic support for Alaska agriculture and other Natural Resource agencies through testing, production and development of plant materials.
3. Agricultural Revolving Loan Fund is an agricultural bank extending credit to borrowers based on their ability to repay.

The Division of Agriculture, in cooperation with industry representatives and at the direction of the Commissioner of the Department of Natural Resources, and the Board of Agriculture and Conservation administers the Governor's agricultural policy for Alaska. The division seeks to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to promote economically viable development, maximize return to the state, and encourage privatization.

Agricultural Development supports the Alaska agriculture industry. The Division of Agriculture is a one-stop center for Alaska agriculture. The division provides opportunities for local producers and marketers of food, fiber, and re-vegetation materials and for other industries as well. Ultimately, this translates into expansion of the economy by providing stability and consistency to Alaska farmers. The Alaska consumer is the beneficiary of freshness, quality, and competition.

The Division of Agriculture provides marketing and production expertise to Alaska growers by increasing their ability to market Alaska grown products and maintain viable farms. The division, through its Plant Materials Center, provides testing, production, development, and distribution of materials to resource industries, while meeting environmental requirements and developing a native seed industry. The division sells and leases agricultural and grazing land and conducts field inspection for contract compliance with farm development and farm conservation plans. Effective marketing service programs are maintained, providing quality assurance of production. The entry of potentially harmful plants and products is regulated and controlled through inspection programs.

Title 38 land disposals for FY2003 are projected to include the following: 12 parcels of land in the Southcentral and Glenallen Regions aggregating about 2,500 acres with an estimated new contracts receivable value of \$600.0. Inventories of accessible agricultural lands is diminishing, and significant capital investments will need to be addressed to sustain an expansion of agricultural activity in Alaska.

Component Goals and Strategies

- Initiate Governor's goals for agriculture at the division level.
- Prepare budgets and develop policies to allow for delivery of effective state government services to the agricultural industry in the state.
- Encourage employee efficiency and industry service.
- Increase economic development opportunities for agricultural producers, processors, and marketers to use natural resources for sustainable agricultural production.
- Encourage division staff and industry leaders to identify and promote new markets for farm products, both in state and for export.
- Maintain industry liaison with other state, federal, and municipal government agencies to influence issues related to agricultural development in Alaska.
- Coordinate activities related to maintaining USDA cooperative agreements in produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs, and phytosanitary certification for exports.

- Maintain cooperative services with USDA commodity control, insurance, conservation and lending agencies serving Alaska producers.
- Provide leadership and create opportunities for economic development in the wholesaler, retailer and processor sectors. Organize farm industry meetings, and publish directories.
- Monitor approximately 210 land sale contracts for compliance with the sales contract.
- Monitor approximately 290 patented farms to ensure they comply with regulation.
- Work with the Board of Agriculture and Conservation and local Soil and Water Districts to identify and initiate land disposal projects.
- Monitor approximately 30 grazing leases and permits on roughly 180,000 acres for compliance with terms and conditions of the lease and permits.
- Develop new statewide grazing policy and regulations for public lands classified for grazing purposes.
- Review status of unsold land classified as agricultural and participate in state and local land planning projects.
- Respond to written and verbal requests for agricultural land disposal and leasing information.
- Continue management of foreclosed properties to maintain production capabilities and comply with Federal farm program requirements.
- Sell agricultural tracts - 12 parcels with 2,500 acres for an estimated \$600.0.
- Work with contract holders and patent holders to update farm conservation plans.
- Work with Soil and Water Districts (SWCD) and NRCS in preparation of federal and state conservation plans.
- Review and recommend updates in regulations for agricultural sales, branding, and grazing fee structure.
- Increase direct funding of EPA projects to support locally led conservation priorities.
- Increase USDA funding of Environmental Quality Incentives Program (EQIP) and Wildlife Habitat Incentives Program (WHIP) conservation projects.
- Work with USDA, NRCS to expand the range specific GIS system to support Reindeer Herders Association.
- Work with the US Department of Defense and Plant Materials Center on projects to restore native grasses in areas damaged by military operations.
- Provide conservation planning advice to municipalities' planning and development commissions.
- Obtain federal funding to develop an "Alaska specific" agricultural education program for public schools.
- Increase volunteer low cost participation by SWCDs in DEC water sampling programs.
- Conserve soil and water resources in the state; conduct field inspection for contract compliance with farm development and conservation plans.
- The Matanuska Maid Creamery and Mt. McKinley Meats facilities play a major role in the survival of the livestock and dairy industry in Alaska and operate with a business orientation. We continue to protect the interest of Alaska milk and meat producers.
- Comply with state and federal regulations which provide quality control for agricultural production through inspections and grading services; conduct produce inspections for USDA grade and buyer specifications; provide field inspections for seed certification and disease control; issue phytosanitary certificates on export products from the agriculture industry; produce information and training on packaging and quality control. Encourage use of local products by state and federal agencies.

Key Component Issues for FY2002 – 2003

Lack of General Funds to perform services and statutory responsibilities and continued use of Agricultural Revolving Loan Fund source creates a long-term negative impact on the ARLF program.

Structure regulatory services, marketing services, and lending programs, as simply as possible. Increase cooperation with other agencies involved in resource development.

Make agricultural land available in various parcel sizes as dictated by regional and local demand for land sales, leases, and permits as funding allows. Emphasize selling previously sold land, returned to the state through foreclosure. It is important to resell these parcels before they re-grow and the clearing investment is lost.

Sell lands that are suitable for agriculture in sufficient amounts to encourage viable enterprises. The long-term economic value of these lands is protected through the use of contractual farm conservation plans.

Provide inspection and marketing activities that enable Alaska's agricultural products to be sold commercially. Demand for inspection services is growing as contract requirements for inspections increase. New farms statewide have produced

opportunities in the produce, meat and dairy areas. Increased production will impact the Fairbanks region and central office inspection staff. Marketing program improvements can be facilitated with commodity commission or marketing order legislation to allow for producer input and control. We will provide small-scale grants for commodity group promotion efforts.

Revenue is generated from produce and egg inspections. Cooperative agreements with the USDA, Federal Seed Act, National Plant Board, Animal and Plant Health Inspection Service (APHIS) have continued to generate revenue. We expect to expand our service to the military, and grocery wholesalers and retailers statewide. Potential new programs are organic product certification, feed and fertilizer registration, as well as increased bee registration and brand program assistance.

The Natural Resource Conservation & Development Board (NRC&DB) represents the State of Alaska and the Department of Natural Resources in grass roots management of natural resource conservation efforts throughout Alaska. These efforts are enhanced by the Soil and Water Conservation Districts (SWCD) located throughout the state, which provide local planning, conservation project implementation, and resource education in schools. Since there are enormous areas in Alaska which are not included in local SWCDs, the NRC&DB serves as the board of supervisors for the Alaska Soil and Water Conservation District. The Alaska District covers all of the land not included in other districts.

The US Department of Agriculture (USDA), Natural Resource Conservation Service (NRCS) provides technical support to SWCDs for development and implementation of conservation efforts.

- This synergy results in substantial federal funding for important ongoing agricultural conservation programs in Alaska (e.g. Conservation Reserve Program (CRP), Wildlife Habitat Incentives Program (WHIP), Environmental Quality Incentives Program (EQIP), etc.

- Through a cooperative effort, SWCDs and NRCS plan and implement emergency erosion protection projects in Alaska. The current Delta-Clearwater Flood Control Project totals nearly \$6 million.

- The SWCD's have become increasingly involved in Environmental Protection Agency (EPA) programs to resolve non-point pollution problems in both agricultural and urban areas. Two districts have received EPA funding (\$100,000) this year for water quality sampling projects.

Major Component Accomplishments in 2001

Cooperative marketing program helped producers make Alaska grown products more visible to the public.

Chinese inspectors visit in consideration of export and sale of potatoes and carrots to China.

No late blight detected in Alaska potatoes for the past three years.

Provided a pest scout in cooperation with the University of Alaska Fairbanks.

Provided greater consumer availability of quality Alaskan grown products for market and export.

Monitored the state's investment in agriculture science and technology to protect and enhance the quality of Alaska's agricultural soils, seeds, plants, livestock, and associated products.

The Agricultural Land and Contract Management program managed all current and active agricultural land sales and grazing lease contracts and managed an aggressive agricultural land portfolio for eventual disposal. Fourteen parcels with a total of 5,080 acres were sold. We realized a return to the state of \$1.38 million.

The farm products inspection program worked to prevent loss of product sales due to poor quality and prevent fraud and misrepresentation of agricultural products sold in Alaska.

The agricultural marketing program promoted and increased use and sales of competitively priced Alaska grown commodities.

Provided consumer protection through produce inspections at retail/wholesale outlets to insure produce for sale meets grade. For sale to military, inspection is mandatory.

Greenhouse and nursery inspection: spot checked and responded to complaints relating to control quality, prevent contamination from pest and disease import, enhanced market for local products. Provided consumer protection by ensuring that insect and disease pests are spotted and controlled.

Provided egg grading/inspection under a cooperating federal agreement and funding. Maintained quality product, and worked to prevent consumer disease and fraud by inspection of eggs at retail/wholesale outlets to ensure eggs met Alaska state and federal regulatory requirements.

Conducted phytosanitary certificate inspections to facilitate foreign log exports, plant material, seedlings, cabbage and carrots.

Seed sampling and testing was done to maintain quality, protect the environment, prevent deception, and promote marketability. If the services were not available, many local and export market opportunities would be lost.

Made apiary inspections. Control pests and disease; prevent adulteration of local product, and enhanced markets. Without this assistance, disease and pest problems could destroy Alaska's growing industry.

Responded to noxious weed/pest control complaints and import requests; protected environment, reduced production costs; enhanced local clean markets with phytosanitary certificates on exports. Noxious weeds not previously found in Alaska have been discovered. These infestations need to be controlled and prevented from reoccurring. Maintained cooperative agreements and inspector licensing requirements with USDA, National Plant Board, Animal and Plant Health Inspection Service (APHIS), Agricultural Marketing Service (AMS); Fresh Fruit and Vegetable (FFV); Poultry Division; and Meat Division.

Provided official USDA meat grading services through a cooperative agreement with USDA, AMS. Mt. McKinley Meat Plant in Palmer and Delta Meat and Sausage in Delta Junction have the potential of doubling current meat grading requirements.

Assisted in the formation of the Alaska Organic Association, and assisting with clarification on the National Organic Approved list.

Maintained an inventory of unsold lands, classified for agriculture, for future sale. Prior to offering land for sale we consult with the Board of Agriculture and Conservation. The Agricultural Land and Contract Management Section reviewed parcels for legal survey and status, provided for appraisal, conducted Title 38.945 notice, formulated terms and conditions of sale, and issued land sale and lease contracts. After sale or lease, this section monitored contract holders for compliance with their contractual agreements including farm conservation plans and development requirements. Payment schedules were monitored. If development or payments fall behind schedule and are not corrected within times set by agreement, Agricultural Land and Contract Management initiates collection and foreclosure actions. This program also monitors patented agriculture lands for compliance with statutory and regulatory requirements

By identifying and influencing demands for Alaska Grown products, the Division of Agriculture worked to keep the market share of Alaska agriculture products. Recent mergers and new businesses entering the market place made effective marketing service programs even more necessary. Worked to ensure quality grading, and to facilitate commercial transactions between producers, processors, wholesalers, and retailers based on sound market information. We have also helped with export to northwest states. Published information to promote the qualities and benefits of Alaska Grown production.

Worked to develop export markets in the Lower 48 and other countries. Although some Alaska Grown products are being successfully exported, there is a need to identify competitive advantages of Alaska products. Activities in this area include cooperating with USDA Foreign Agricultural Service (FAS) and Western U.S. Agriculture Trade Association (WUSATA).

Alaska conditions favor production of potatoes, carrots, peas, cole crops, and other vegetables of unique quality. Current fresh market share held by local producers ranges from 10-50 percent and can be increased. Our clean environment provides advantages to organic production, which will require additional certification assistance with new federal standards being adopted.

Statutory and Regulatory Authority

AS 03, AS 03.10, AS 03.22, AS 38.05, AS 41.10, AS 41.17

Agricultural Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	696.5	818.6	880.8
72000 Travel	49.8	41.5	51.5
73000 Contractual	191.5	345.3	328.2
74000 Supplies	16.1	22.6	22.6
75000 Equipment	27.4	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	981.3	1,228.0	1,283.1
Funding Sources:			
1002 Federal Receipts	145.9	205.4	207.8
1004 General Fund Receipts	0.0	0.0	10.0
1005 General Fund/Program Receipts	0.0	1.5	1.5
1007 Inter-Agency Receipts	50.7	72.9	30.0
1021 Agricultural Loan Fund	551.3	671.2	682.3
1061 Capital Improvement Project Receipts	116.2	102.3	0.0
1153 State Land Disposal Income Fund	117.2	174.7	351.5
Funding Totals	981.3	1,228.0	1,283.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
State Land Disposal Income Fund	51434	684.0	217.2	217.2	0.0	5.5
Unrestricted Fund	68515	0.3	7.0	6.2	7.0	7.0
Unrestricted Total		684.3	224.2	223.4	7.0	12.5
Restricted Revenues						
Federal Receipts	51010	145.9	205.4	410.1	207.8	205.5
Interagency Receipts	51015	50.7	72.9	72.9	30.0	29.2
General Fund Program Receipts	51060	0.0	1.5	1.5	1.5	2.0
Capital Improvement Project Receipts	51200	116.2	102.3	102.3	0.0	0.0
State Land Disposal Income Fund	51434	117.2	174.7	174.7	351.5	358.3
Restricted Total		430.0	556.8	761.5	590.8	595.0
Total Estimated Revenues		1,114.3	781.0	984.9	597.8	607.5

Agricultural Development

Proposed Changes in Levels of Service for FY2003

With the creation of the Land Disposal Income Fund, agricultural land sales of title 38 properties are generating sufficient funding for our agricultural land and contract employees, who have previously been funded from the ARLF corpus. In FY03, one part-time position is changed to full-time status to concentrate on the ag land sales responsibilities.

The Executive Director of the Alaska Natural Resources Conservation and Development Board concentrates efforts on future agricultural land disposal, increased communication with the Soil and Water districts, collaboration and coordination with the Natural Resource Conservation Service, and soil and water quality issues. There is an increment of \$10.0 to the program this year due to increased board costs. Recent increases in direct federal funding have made the program more active, and the need to access project areas has increased, resulting in the increased travel request for the Board.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1.5	205.4	1,021.1	1,228.0
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	2.4	17.3	19.7
Proposed budget increases:				
-Soil & Water Districts Funding for Increased Board Operating Costs	10.0	0.0	0.0	10.0
-Staff Position Status Change for Ag Land Disposal Program	0.0	0.0	25.4	25.4
FY2003 Governor	11.5	207.8	1,063.8	1,283.1

Agricultural Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	12	13	Annual Salaries	647,794
Part-time	1	0	COLA	17,834
Nonpermanent	0	0	Premium Pay	1,253
			Annual Benefits	231,117
			Less 1.92% Vacancy Factor	(17,198)
			Lump Sum Premium Pay	0
Totals	13	13	Total Personal Services	880,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	0	1	1
Administrative Manager II	0	0	0	1	1
Agricultural Inspect I	0	1	0	2	3
Dev Spec II, Option B	0	0	0	1	1
Division Director	0	0	0	1	1
Natural Resource Mgr II	0	1	0	0	1
Natural Resource Off II	0	1	0	2	3
Secretary	0	0	0	1	1
Spec Asst To The Comm I	1	0	0	0	1
Totals	1	3	0	9	13

Component: North Latitude Plant Material Center

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Component Mission

To promote Alaska-produced agricultural crops for use in revegetation and seed production. (Differs from SLA 2001, Ch. 90, Section 115)

Component Services Provided

The North Latitude Plant Materials Center provides testing, production, development, and distribution of materials to resource industries to meet environmental requirements that include the development of a native seed industry. It also provides cost-effective practices and testing, production, and distribution of disease-free seed potatoes and plant materials to the produce and forage industries. The PMC provides native and introduced seed for research and industry through the Germplasm Repository. The potato and seed industries encompass the production of seed potatoes and native plant seed and are a healthy sector of Alaska agriculture. The industry employs more than 50 people in Alaska. Both potato and grass seed production are expected to increase. Local grass seed is expected to capture 40% of the market.

The North Latitude Plant Materials Center is recognized as the authority on reclamation, revegetation, wetland rehabilitation and commercialization of native species through release of new crops and expands on the more basic research undertaken at the University of Alaska to answer real life questions. For example, potato improvement research was initiated when plummeting yields and an outbreak of pathogens caused growers to request the PMC's help in developing a reliable source of clean potato seed. As a result of this program, virus infection rates have dropped from 100 to 10 percent. The dramatic success of the project has made Alaska a possible seed potato exporter as well.

Through a program of systematic evaluation throughout the state, data on revegetation is collected and distributed by way of reports. This data on plant performance is also used to develop new commercial crops for Alaska promotion. In addition to new native crops designed for rehabilitation and reclamation, breeder seed and foundation seed of traditional grasses and grain are also produced for later sale to commercial seed producers for further multiplication and sale. Cost effective rehabilitation techniques are also developed in using the plant materials. Solutions to common rehabilitation techniques are also developed and found. Forty-seven species are currently being tested. In 1996, the production of breeder seed of all University of Alaska developed grass varieties had been transferred to the PMC. This makes the program the sole source of commercial germplasm for the State of Alaska.

Component Goals and Strategies

The North Latitude Plant Materials Center (PMC) will promote Alaska produced agricultural crops for use in revegetation and seed production. The facility will encourage the wise use of adapted species for crop production and revegetation.

The PMC will assist all aspects of commercial development in Alaska needing adapted crops, revegetation material, applied research and appropriate, cost-effective technology. The PMC also assists the USDA/ARS in the operation of the Arctic Germplasm Repository.

- Encourage private seed producers to grow certified, registered, and in some cases, foundation native seed.
- Develop cost-effective reclamation techniques for industry and develop supplies of native seed needed by industry.
- Maintain forty-seven accessions of seed and thirty potato varieties.
- Develop new cultivars of needed species.
- Test, produce and distribute disease-free seed stock.
- Develop cost-effective production practices.
- Assist industry in compliance of environmental regulations in revegetation and erosion control.
- Provide seed industry and seed users with northern latitude adapted species.
- Increase stocks of foundation seed and grass for commercial production.
- Provide the basic seed needs for Alaska agriculture.
- Develop techniques for cleaning seed.
- Transfer knowledge to end users through demonstration and education programs.

- Market seed through specifications.
- Encourage private seed producers to grow certified, registered, and in some cases, foundation seed.
- Cooperatively develop reclamation techniques with industry.
- Develop supplies of native seed needed by industry and produced by industry.
- Establish an Animal Plant Health Inspection Service (APHIS) Quarantine Station in Alaska.

Key Component Issues for FY2002 – 2003

The Plant Materials Center is having a significant problem in recruiting and retaining Agronomists. The two most recent hires have resigned for better paying jobs or jobs offering more security. Other agronomist positions that have been advertised have either failed to get applicants or in the case of one position, it was declined after it was offered. The PMC faces two obstacles in recruitment, the talent and skills are not readily available in Alaska and the entry salary in the Agronomist series is not nearly high enough to recruit let alone retain qualified applicants. This dilemma is having an effect on the PMC's ability to carry forward with the programs being awarded from federal sources.

Lack of general funds to perform services and responsibilities and continued use of the Agricultural Revolving Loan Fund source creates a long-term negative impact on the ARLF program.

Major Component Accomplishments in 2001

Economic returns: In 1999, the PMC secured federal funding to assist in developing a strong native seed industry in Alaska. This is expected to be a five-year program.

The Northern Latitude Plant Materials Center provides seed that produces within Alaskan climate conditions. Alaskan seed growers have acquired the needed seed and seed potatoes from the Plant Materials Center during the last year. The PMC has also provided new native seed to the producers thereby increasing the variety of material available to commercial growers and expanding the market for their products. None of this material is being produced outside of Alaska giving the instate producers a competitive advantage. Many contractors have been involved in the seed developed by the PMC. This last year has been no exception. Alyeska Pipeline Company, Cominco and countless smaller companies have utilized the PMC's talent in restoration and revegetation issues. The PMC will continue to work with industry as it has in the past twenty years assuring users that plant material and technology needed for sound development will be available. In the last FY the PMC established new breeder blocks of the important revegetation species, including Polar Brome, a species not available for the last ten years.

The PMC has also secured continued federal funding from the Natural Resource Conservation Service, Agricultural Research Service, and the U.S. Air Force. The PMC has in the last year expanded its international cooperation with the Falkland Islands, Northern Ireland, Iceland and the Faroe Islands. The PMC was also a major cooperator in the Late Blight control effort last year.

Statutory and Regulatory Authority

AS 03.22

North Latitude Plant Material Center

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	959.2	1,491.3	1,595.4
72000 Travel	26.4	81.0	106.0
73000 Contractual	246.8	185.8	295.8
74000 Supplies	225.7	106.0	126.0
75000 Equipment	94.3	271.0	404.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,552.4	2,135.1	2,527.2
Funding Sources:			
1002 Federal Receipts	1,000.6	1,471.5	1,848.1
1005 General Fund/Program Receipts	9.1	14.5	14.5
1007 Inter-Agency Receipts	5.9	67.7	68.6
1021 Agricultural Loan Fund	511.2	522.0	535.6
1061 Capital Improvement Project Receipts	13.1	0.0	0.0
1108 Statutory Designated Program Receipts	12.5	59.4	60.4
Funding Totals	1,552.4	2,135.1	2,527.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	1,000.6	1,471.5	1,187.0	1,848.1	1,187.0
Interagency Receipts	51015	5.9	67.7	64.5	68.6	0.0
General Fund Program Receipts	51060	9.1	14.5	14.5	14.5	14.5
Statutory Designated Program Receipts	51063	12.5	59.4	0.8	60.4	0.0
Capital Improvement Project Receipts	51200	13.1	0.0	0.0	0.0	0.0
Restricted Total		1,041.2	1,613.1	1,266.8	1,991.6	1,201.5
Total Estimated Revenues		1,041.2	1,613.1	1,266.8	1,991.6	1,201.5

North Latitude Plant Material Center

Proposed Changes in Levels of Service for FY2003

The PMC has been very aggressive and very effective in securing non-state funding over the last few years. This not only reduces some of the burden on ARLF money, it also allows for expanded services to further assist Alaska residents. Presently, three major federally funded projects are in place at the PMC: 1) Arctic Plant Germplasm Repository, 2) Alaska Native Plant Nursery, 3) Alaska Cold Region Evaluation Project.

In FY02, the fourth and fifth projects will be put into place with \$4.6 million in approved capital improvement project grants for the construction and rebuilding of the state seed lab and a quarantine facility for agricultural plant material.

In FY03, a sixth project will be forwarded by the PMC for consideration by the federal funding agencies. This will be a 5-year \$550.0 per annum request for an Alaska seed growers assistance project. The project will provide on-farm assistance to established grass and grain seed growers. This program will, it is hoped, be conducted in cooperation with the Alaska Dept. of Transportation and Public Facilities, as they are the major buyer of Alaska produced seed. An increment of \$350.0 federal receipts is requested to cover the anticipated expenditure amount for the first year.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	14.5	1,471.5	649.1	2,135.1
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	26.6	15.5	42.1
Proposed budget increases:				
-Alaska Seed Grower Assistance Program, Production Manual and Statewide Revegetation Manual	0.0	350.0	0.0	350.0
FY2003 Governor	14.5	1,848.1	664.6	2,527.2

North Latitude Plant Material Center

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	13	13	Annual Salaries	1,157,276
Part-time	23	24	COLA	32,997
Nonpermanent	0	0	Premium Pay	2,782
			Annual Benefits	465,438
			Less 3.80% Vacancy Factor	(63,093)
			Lump Sum Premium Pay	0
Totals	36	37	Total Personal Services	1,595,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	0	1	1
Administrative Clerk III	0	0	0	1	1
Agronomist I	0	0	0	10	10
Agronomist II	0	0	0	3	3
Agronomist III	0	0	0	1	1
Equip Operator Journey I	0	0	0	1	1
Maint Gen Journey	0	0	0	2	2
Maint Gen Sub - Journey I	0	0	0	16	16
Maint Gen Sub - Journey II	0	0	0	1	1
Maint Spec Bfc Jrny II/Lead	0	0	0	1	1
Totals	0	0	0	37	37

BRU/Component: Agriculture Revolving Loan Program Administration

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Robert Wells, Director

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Component Mission

Promote and encourage development of an agriculture industry in the state.

The Board of Agriculture and Conservation administers the Agricultural Revolving Loan Fund (ARLF) through the Director of Agriculture. The ARLF works to create agricultural opportunities through consistent and stable agricultural loan programs. The ARLF agricultural assets are managed to encourage privatization, maximize return to the state, and promote economically viable development.

Component Services Provided

The Board of Agriculture and Conservation provides various types of loans, including farm development, chattel, operating, irrigation, product processing, and clearing. The Board of Agriculture and Conservation also provides installment credit for the purchase of ARLF assets.

The main responsibilities of the Agricultural Revolving Loan Fund include: Processing new loan application/modification requests; closing loans/modifications; servicing loans/leases; servicing account delinquencies, collections, defaults, and facilitating settlements; providing asset management for real properties, livestock, and equipment; providing inspections and protection of ARLF collateral; and responding to requests by the public, legislature, and state agencies.

Component Goals and Strategies

The goal of the Board of Agriculture and Conservation is to provide direct, moderate interest rate loans to borrowers with good production history, assist the agricultural community, and expand production of Alaska grown products. An additional goal is to increase loan volume and make funds available for agricultural development and expansion in Alaska.

- Finance new farms as a result of our ongoing agricultural land disposal program.
- Service the ARLF \$27.9 million portfolio with a clientele of 158 borrowers and 176 accounts.
- Manage 20 asset properties until disposal by sale or lease.
- Process approximately 36 new loan applications with an expected \$2.5 million in new loans.
- Work with the Attorney General's Office through the director on an annual average of 8 cases involving delinquent borrowers to minimize loss through aggressive collection action.
- Coordinate a minimum of eight Board of Agriculture and Conservation meetings for a seven -member board.
- Provide billing and receipts for \$4.2 million cash payments from loans and leasing of ARLF assets.
- Attend agricultural lending functions and forums with other industry representatives.
- Continue servicing of the ARLF portfolio in order to maintain the present low percentage of loan delinquencies.
- Pursue phase III and IV regulatory changes to meet the needs of the agricultural community and industry and implement recent statutory revisions.
- Continue operation oversight of the Matanuska Maid Creamery and Mt. McKinley Meats operations. These facilities play a major role in the survival of the livestock industry in Alaska and operate with a business orientation. We continue to protect the interest of Alaska milk and meat producers.
- Expand the agricultural base by preparing new land disposal packages and property lease opportunities. This will ultimately reduce contractual costs. The property will be back in production and the Board of Agriculture and Conservation will not be required to maintain it in a saleable condition. A two-year Agricultural Land Disposal Capital Project provides funding. A Loan/Collection Officer position oversees an Agricultural Land Sale and disposal of the Agricultural Revolving Loan Fund land asset inventory, creating sale revenue. Our land disposal plan for fiscal year 2003 includes six parcels of land in the Southcentral, Region, aggregating over 830 acres with an estimated new contract

receivables value of \$1.1 million dollars. More properties may be offered when we receive title and accomplish the necessary surveys and appraisals.

Key Component Issues for FY2002 – 2003

Erosion of ARLF funds jeopardizes the continued operation of this project since funding is being used for program-wide division operation. The Board of Agriculture and Conservation through the Agricultural Revolving Loan Fund provides moderate interest rate loans for agricultural development. Conventional financing and federal loan programs are not generally available to agriculture in Alaska.

On-going servicing of the ARLF portfolio will help to maintain the present low percentage of loan delinquencies.

Regulatory changes have been made or are in process to implement recent statutory revisions and to streamline the application process.

Matanuska Maid operates under the direction of the Creamery Corporation Board and is part of a highly competitive industry. Mat Maid creates jobs and revenue in the Alaska economy by marketing Alaska produced items. Using out-of-state raw milk to supplement the local product and a diverse market line, Matanuska Maid makes it possible for state producers to compete with industries in the Lower 48. This plant is critical to the survival of 12 dairy farm businesses, 45 plant employees, and all the related industries in the Interior and Southcentral Alaska, some with over 40 years of operation history in Alaska. These producers are economically stable and viable, but continue to be dependent on Matanuska Maid.

Major Component Accomplishments in 2001

The delinquency rate of the ARLF portfolio has continued to be consistently low. Many cases in default have been settled and new buyers/producers have been found for repossessed property. Settlements of defaulted loans are accomplished in coordination with the Attorney General's Office through a Reimbursable Services Agreement with the Department of Law.

Low risk loans to borrowers with good repayment production history have been provided to develop industry stability.

Development of new resource opportunities in the agriculture industry has been expanded.

In FY 01 the Division of Agriculture disposed of 9 parcels of ARLF agricultural land aggregating 6,445 acres, resulting in revenue of \$2.25 million dollars.

In FY 02 we have offered or are in the process of offering ARLF agricultural land in the South Central and Northern Region of the state; over 2,350 acres of agricultural land with an estimated new contract receivables value of \$1.7 million dollars to the Agricultural Revolving Loan Fund are included.

Statutory and Regulatory Authority

AS 03.10

Key Performance Measures for FY2003

Measure:

The loan to equity ratio in the Agricultural Revolving Loan Fund.
Sec 115(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Released December 15th
12/18/2001 3:51

FY2003 Governor
Department of Natural Resources

ARLF Loan to Equity Ratio:

September 00 - 28.9% - ratio is 1:3.46

September 01 - 27.95% - ratio is 1:3.58

The Board of Agriculture and Conservation has expressed interest in increasing the amount of funds loaned to generate additional income for the fund. We are beginning to see a slight increase in this ratio, which we hope to reverse with more loans being issued with the proceeds from sold repossessed property.

No specific target has been set as concerns for the cash flow will limit the number of loans that can be issued.

As of September 30, 2001 the numbers are:

Outstanding ARLF loans - \$7,740,395

Equity \$ 27,693,038

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Due to rapid development policies twenty years ago the Agricultural Revolving Loan Fund loaned money to borrowers who were unable to repay. A large repossessed portfolio resulted which required increased work to maintain the assets.

We continue to sell these assets at a responsible rate thus bringing them back into production. This helps maintain the fund balance through liquid assets and decreases maintenance responsibilities, allowing us to focus on lending and program enhancement.

Agriculture Revolving Loan Program Administration

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	264.1	270.7	295.0
72000 Travel	15.8	30.4	32.4
73000 Contractual	283.3	394.9	404.6
74000 Supplies	1.8	11.9	11.9
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	565.0	707.9	743.9
Funding Sources:			
1021 Agricultural Loan Fund	514.4	653.7	688.6
1061 Capital Improvement Project Receipts	50.6	54.2	55.3
Funding Totals	565.0	707.9	743.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Capital Improvement Project Receipts	51200	50.6	54.2	54.2	55.3	55.6
Restricted Total		50.6	54.2	54.2	55.3	55.6
Total Estimated Revenues		50.6	54.2	54.2	55.3	55.6

Agriculture Revolving Loan Program Administration**Proposed Changes in Levels of Service for FY2003**

The new Board of Agriculture and Conservation (BAC) has identified additional funding needs for travel, meeting preparation, advertising, sale preparation and disseminating general information to the public. This increment enables the component to keep up with these increases. Additional personal services are needed to meet the salary needs of existing staff.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	707.9	707.9
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	6.0	6.0
Proposed budget increases:				
-Increased Operating Costs of the Ag Revolving Loan Fund Program	0.0	0.0	30.0	30.0
FY2003 Governor	0.0	0.0	743.9	743.9

Agriculture Revolving Loan Program Administration

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	5	5	Annual Salaries	210,102
Part-time	0	0	COLA	4,465
Nonpermanent	0	0	Premium Pay	1,639
			Annual Benefits	81,755
			Less 0.99% Vacancy Factor	(2,961)
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	295,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	1	0	0	0	1
Administrative Clerk II	0	0	0	1	1
Loan/Collection Off I	0	0	0	3	3
Totals	1	0	0	4	5

BRU/Component: RS 2477/Navigability Assertions and Litigation Support

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Nancy Welch, Deputy Director

Tel: (907) 269-8501 **Fax:** (907) 269-8904 **E-mail:** nancywe@dnr.state.ak.us

Component Mission

To defend and assert the State's rights under RS2477 and navigable and public waters, thereby allowing access for economic development and use of the state's land and resources.

Component Services Provided

RS2477

This component provides the funding for ongoing activities associated with RS2477 research management and litigation. Since 1992, the Division of Mining, Land and Water has researched more than 1900 routes, identified approximately 649 routes as routes qualifying as RS2477s. Examples of tasks are:

9. Provide *litigation support* to Department of Law, including further research for select number of routes.
10. Continue to complete *quality control* on files:
 - Standardize casefile summaries and LAS input.
 - Compare file contents with casefile summaries to verify information is complete in files.
11. *Public Information:*
 - Respond to public or Web page inquiries received,
 - Maintain website with up-to-date information, and
 - Attend public meetings and speak to interested organizations.
12. *Record* RS2477 routes as they become surveyed, if they meet minimum standards established by DNR.
13. *Research* identified and potential RS2477s for easement vacation requests; prepare annual legislative report regarding research efforts, and give annual public notice of new routes identified in current fiscal year.

NAVIGABILITY

This component provides funding for on-going activities associated with the Navigability program that provides information to the public and agencies on the location and rights to navigable and public waters; does research and other work to support state litigation asserting state ownership; and reviews all federal decisions and plans to assure that state ownership and public use are protected. Examples of tasks are:

1. *Public/agency information:*
 - Respond to public and agency requests for navigability determinations or information.
 - Maintain/update database and web site that provides information on navigability status.
 - Develop and distribute maps and public informational brochures for specific waterbodies.
2. *Research* in support of on-going or new litigation, including litigation with both US Department of Interior and US Forest Service. Includes research into public use, historical use, and possibly hydrology of specific waterbodies. Research done in coordination with Departments of Law and Fish and Game.
3. *Review* all BLM administrative decisions and all federal land use plans and regulations that may affect state ownership or public use. Provide comments and file appeals as necessary.

Component Goals and Strategies

The Division of Mining, Land and Water has two primary responsibilities under this component:

1. RS 2477 Rights-of-way.
2. Navigability.

The goals of this component are:

- Assert and defend the state's rights under RS 2477 to protect public access to state land and resources.
- Assert and defend state ownership of and public rights to navigable and public waters. Includes support of litigation, review of all federal administrative actions affecting RS 2477s and navigable waters, and providing agencies and the public with information on RS 2477s and navigable and public waters.

Key Component Issues for FY2002 – 2003

Easement management, including management of RS2477s, is becoming an increasingly significant issue with the public. The division is seeing an increase in requests to assert RS 2477s and other easements or rights-of-way, define exact locations for previously asserted easements, and to vacate those previously asserted. The staff time required to resolve these issues is large, ever-increasing and under-funded.

Major Component Accomplishments in 2001

RS 2477

1. Reviewed all land conveyances for RS2477 conflicts.
2. Assisted the Attorney General's Office in research related to RS2477 litigation and final settlement agreement for Harrison Creek-Portage Creek RST 8.
3. Responded to requests submitted by phone, e-mail, RS2477 Web site, letters, etc.
4. Prepared January 2001 annual legislative report showing 3 new trails researched and found to meet RS 2477 criteria. Made the information available to the public by newspaper and on the DNR RS 2477 website prior to the report to the legislature.
5. Updated mapped and tabular data. Made data available for public and agency use.
6. Reviewed requests for easement vacations to ensure viable alternative access is provided.

Navigability

1. Issued navigability determinations and reviewed navigability determinations prepared by ADF&G.
2. Responded to all BLM navigability decisions and reviewed BLM land conveyances.
3. Assisted the Attorney General's Office in research related to administrative appeals and litigation regarding navigable waters.
4. Provided information to agencies and the public on the navigability of waterbodies. Respond to requests submitted by phone, e-mail, navigability website, letters, etc.
5. Prepared public information brochures for three more waterbodies. Brochures provide the public with information about land ownership and public access to specific waterways where conflicts/problems have been occurring.
6. Updated mapped and tabular statewide navigability data. Made data available for public and agency use.

Statutory and Regulatory Authority

AS 19.30.400
AS 38.05
11 AAC 51

Key Performance Measures for FY2003

Measure:

RS 2477 case file summaries completed.

Benchmark Comparisons:

In FY00, the division completed 2 case file summaries and responded to requests for information and further research to the Department of Fish and Game.

Background and Strategies:

Continue to conduct research and respond to public requests as information becomes available. In FY02, expect to complete two RS 2477s for report to the legislature in January 2003.

Measure:

Number of actions taken for RS 2477 assertion/litigation support.

Benchmark Comparisons:

Released December 15th
12/18/2001 3:51

FY2003 Governor
Department of Natural Resources

In FY00, the division responded to 3 litigation actions, including the proposed settlement for Harrison Creek-Portage Creek litigation between the State and the Federal government.

Background and Strategies:

Continue to provide litigation support as necessary and begin one new case in federal court.

Measure:

Number of actions taken for navigability assertion/litigation support.

Benchmark Comparisons:

In FY00, the division completed 70 actions in response to litigation, assertions, and review of federal actions.

Background and Strategies:

Continue to conduct research and respond to public requests as information becomes available. In FY02, expect to complete 75 actions.

RS 2477/Navigability Assertions and Litigation Support

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	325.7
72000 Travel	0.0	0.0	20.0
73000 Contractual	99.4	115.0	48.0
74000 Supplies	0.0	0.0	21.3
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	99.4	115.0	415.0
Funding Sources:			
1004 General Fund Receipts	99.4	115.0	415.0
Funding Totals	99.4	115.0	415.0

RS 2477/Navigability Assertions and Litigation Support**Proposed Changes in Levels of Service for FY2003****Easement Management**

This increment request is in response to significant public demand for DNR action following passage of AS 19.30.400-.415. Conflicts among users and landowners of the more than 650 known RS 2477 rights-of-way is an increasing problem. Resolution is time-consuming. In addition, the law requires that DNR use great care in vacating an RS 2477 right-of-way. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties to determine:

14. Whether an RS 2477 has been asserted or if not, whether evidence indicates that a public right exists;
15. How certain the physical location is and whether a survey needs to be performed (surveys require DNR review and approval); and
16. Whether the owners want a realignment of the right-of-way (on their own property) or to vacate the right-of-way altogether.

Personal Services and Position Adjustments

With the inclusion of an increment request in this component, a personal services budget is established directly in the component. Until FY03, money for personal services expenditures to implement RS2477 and Navigability programs funded in this component were provided on an RSA as interagency receipts to other components where the positions were budgeted. With the establishment of the personal services module in this component, one full-time position with the Navigability program is transferred from the Title Acquisition and Defense component. In addition, four other positions have a portion of their time split into this component to budget personal services costs directly for the RS2477 activities they perform.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	115.0	0.0	0.0	115.0
Proposed budget increases:				
-RS2477 Easement Management	300.0	0.0	0.0	300.0
FY2003 Governor	415.0	0.0	0.0	415.0

RS 2477/Navigability Assertions and Litigation Support

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	0	5	Annual Salaries	233,417
Part-time	0	0	COLA	5,091
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	90,167
			<i>Less 0.91% Vacancy Factor</i>	(2,975)
			Lump Sum Premium Pay	0
Totals	0	5	Total Personal Services	325,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Land Survey Asst II	1	0	0	0	1
Natural Resource Off II	3	1	0	0	4
Totals	4	1	0	0	5

Facilities Maintenance Budget Request Unit

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

BRU Mission

See specific information at component level.

BRU Services Provided

See specific information at component level.

BRU Goals and Strategies

See specific information at component level.

Key BRU Issues for FY2002 – 2003

See specific information at component level.

Major BRU Accomplishments in 2001

See specific information at component level.

Facilities Maintenance
BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Facilities	0.0	0.0	192.7	192.7	0.0	0.0	1,100.0	1,100.0	0.0	0.0	1,100.0	1,100.0
Maintenance												
Fbks. Office	103.6	0.0	0.0	103.6	103.6	0.0	0.0	103.6	103.6	0.0	0.0	103.6
Bldg.												
Chargeback												
DNR State	1,246.2	0.0	0.0	1,246.2	1,268.6	0.0	3.2	1,271.8	1,268.6	0.0	104.8	1,373.4
Facilities Rent												
Totals	1,349.8	0.0	192.7	1,542.5	1,372.2	0.0	1,103.2	2,475.4	1,372.2	0.0	1,204.8	2,577.0

Facilities Maintenance

Proposed Changes in Levels of Service for FY2003

See specific information at component level.

Facilities Maintenance

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,372.2	0.0	1,103.2	2,475.4
Proposed budget increases:				
-DNR State Facilities Rent	0.0	0.0	101.6	101.6
FY2003 Governor	1,372.2	0.0	1,204.8	2,577.0

Component: Facilities Maintenance

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

Component Mission

To provide a tracking system for DNR's facility maintenance costs, as required by legislation enacted as SLA98/CH90.

Component Services Provided

This component is set up to receive "authorization" from the DNR operating components that expend money on facility maintenance. Over the course of the fiscal year, individual components will track their expenditures for facility maintenance, and at year-end we will do an accounting adjustment to move the expenditures into this component. On an annual basis, this component will contain all facility maintenance costs incurred by DNR's operating divisions.

Component Goals and Strategies

Not applicable.

Key Component Issues for FY2002 – 2003

To reduce the duplication of accounting and record keeping DNR chose to collect this information at the point of origin in the specific components and then at the end of the year to adjust and collect department-wide information in this budget.

Although the intent of creating this component is a good, the definitions for facilities maintenance are not clear, but we will do our best to comply with the legislative intent.

Major Component Accomplishments in 2001

The FY2001 expenditures are reported in this component.

Statutory and Regulatory Authority

SLA98/Ch90

Facilities Maintenance

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	192.7	1,100.0	1,100.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	192.7	1,100.0	1,100.0
Funding Sources:			
1007 Inter-Agency Receipts	192.7	1,100.0	1,100.0
Funding Totals	192.7	1,100.0	1,100.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	192.7	1,100.0	200.0	1,100.0	200.0
Restricted Total		192.7	1,100.0	200.0	1,100.0	200.0
Total Estimated Revenues		192.7	1,100.0	200.0	1,100.0	200.0

Facilities Maintenance**Proposed Changes in Levels of Service for FY2003**

Not applicable.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	1,100.0	1,100.0
FY2003 Governor	0.0	0.0	1,100.0	1,100.0

Component: Fairbanks Office Building Chargeback

Contact: Nico Bus, Administrative Services Manager

Tel: (907) 465-2406 **Fax:** (907) 465-3886 **E-mail:** nico_bus@dnr.state.ak.us

Component Mission

To provide a clean, well maintained, safe and accessible building for the citizens of Alaska to do business at, and the employees to work at.

Component Services Provided

All funding is transferred via RSA to the Department of Transportation/Public Facilities, who maintain the facility. Located in the building are portions of the Division Mining, Land & Water; Division of Agriculture; Division of Parks; and the Division of Forestry.

Component Goals and Strategies

Not applicable.

Key Component Issues for FY2002 – 2003

Funding to provide these services to the Fairbanks Office Building has been decreased from \$144.9 in 1989 when DNR was transferred these funds, to it current level of \$103.6 (This has stayed at the same level since 1995). The fixed costs for the building, including utilities, is \$80.0 annually. Since this amount continues to increase, the cost increases have been funded by reducing the maintenance staff position from full-time to 2.5 hours per day. This leaves no funds available for purchase of supplies and minor repairs and maintenance. As a result, much of the regular maintenance of the building has been scaled back to absolute minimum levels to keep the building operational. In addition, the last several years the Department of Transportation has covered necessary expenditures above the amount appropriated. The likelihood for this to continue will only decrease each year as the discretionary funds for building maintenance decreases. As the building continues to age, the importance of keeping all systems functional and operating efficiently must be the primary goal of this appropriation.

Major Component Accomplishments in 2001

Not applicable.

Statutory and Regulatory Authority

Not applicable.

Fairbanks Office Building Chargeback

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	103.6	103.6	103.6
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	103.6	103.6	103.6
Funding Sources:			
1004 General Fund Receipts	103.6	103.6	103.6
Funding Totals	103.6	103.6	103.6

Fairbanks Office Building Chargeback

Proposed Changes in Levels of Service for FY2003

No changes in service or funding is requested.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	103.6	0.0	0.0	103.6
FY2003 Governor	103.6	0.0	0.0	103.6

Component: DNR State Facilities Rent

Contact: Pat Pourchot, Commissioner

Tel: (907) 465-2400 **Fax:** (907) 465-3886 **E-mail:** pat_pourchot@dnr.state.ak.us

Component Mission

To fund necessary maintenance, and help prevent future deferred maintenance problems in the eight buildings in the new state facilities rent pool.

Component Services Provided

Payment of the State Facilities Rent to the Department of Administration for our offices in the Atwood Building in Anchorage. DNR occupied this facility in FY00.

Component Goals and Strategies

Improve the condition of state buildings and help prevent future deferred maintenance problems by implementing of a state facilities rent structure.

Key Component Issues for FY2002 – 2003

During years of budget constraints, state buildings have not been adequately maintained, resulting in a serious and expensive deferred maintenance backlog. By implementing a rent structure, the state will be able to recover an estimated \$1.5 million (statewide) in federal and other non-general funds for space occupied in state buildings. General funds now spent on building maintenance and operations by the Department of Transportation and Public Facilities (DOT/PF) for seven state buildings and by the Department of Administration (DOA) for the Atwood Building in Anchorage were transferred from DOT/PF and DOA to the agencies occupying the buildings in the facilities rent pool. The agencies started to pay rent in FY00, using these transferred general funds to pay for space occupied by general fund programs and collecting rent from non-general fund sources as appropriate.

In the spirit of the original intent the Recorder's Office proposes to pay for its use of the space from its Receipts Supported Services.

Major Component Accomplishments in 2001

Not applicable.

Statutory and Regulatory Authority

Not applicable.

DNR State Facilities Rent

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	1,246.2	1,271.8	1,373.4
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,246.2	1,271.8	1,373.4
Funding Sources:			
1004 General Fund Receipts	1,246.2	1,268.6	1,268.6
1007 Inter-Agency Receipts	0.0	3.2	104.8
Funding Totals	1,246.2	1,271.8	1,373.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Interagency Receipts	51015	0.0	3.2	3.2	101.6	101.6
Restricted Total		0.0	3.2	3.2	101.6	101.6
Total Estimated Revenues		0.0	3.2	3.2	101.6	101.6

DNR State Facilities Rent**Proposed Changes in Levels of Service for FY2003**

The main change is to show the payment of the lease cost for the Recorder's Office space from their receipt supported services.

Summary of Component Budget Changes**From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,268.6	0.0	3.2	1,271.8
Proposed budget increases:				
-Atwood Building Lease Costs	0.0	0.0	101.6	101.6
FY2003 Governor	1,268.6	0.0	104.8	1,373.4

BRU/Component: Fire Suppression

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Jeff J. Jahnke, State Forester

Tel: (907) 269-8474 **Fax:** (907) 269-8931 **E-mail:** JJahnke@dnr.state.ak.us

Component Mission

The Division of Forestry's mission is to manage wildland fires in the most efficient and cost-effective manner possible, meeting statutory requirements to provide wildland fire protection to all state, municipal and private lands.

Component Services Provided

This component enables the Division of Forestry to meet its statutory responsibility AS41.15.010 for wildland fires on all state, municipal and private lands in Alaska.

The Division will provide rapid and aggressive initial attack on wildland fires consistent with the Alaska Interagency Fire Management Plan. This will be accomplished through cooperative agreements with federal and local government fire cooperators.

This component funds wildland fire suppression operations and fixed operating costs to provide for critical supplies, services, equipment, and personnel. Helicopters, air tankers and light fixed-wing aircraft will be contracted from private vendors to provide detection, transportation of initial attack firefighters, and application of fire retardant to wildland fires. Village emergency firefighting crews, incidental emergency firefighters, local government and federal cooperator personnel will be hired in emergency situations to supplement the Division's firefighters.

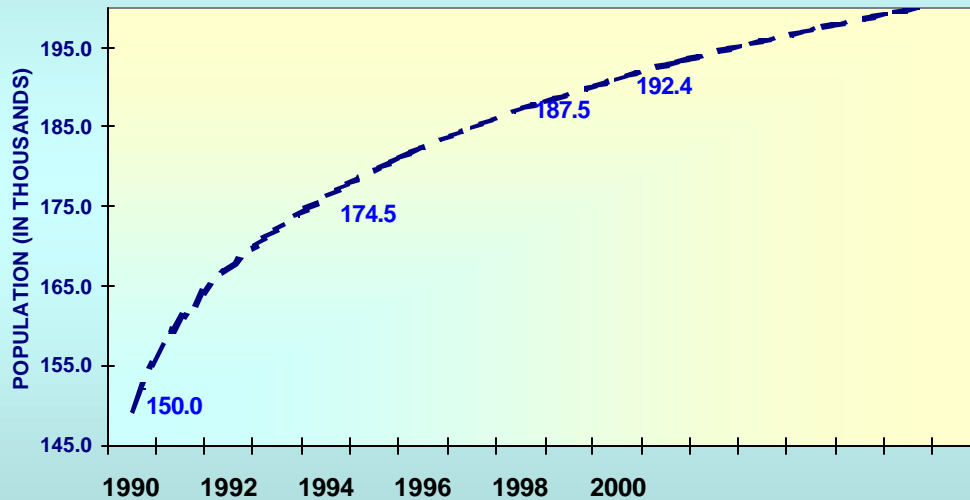
Additional detail on fire suppression average year costs available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Component Goals and Strategies

The goal of this component is to manage wildland fire in order to protect human life, inhabited improvements, Alaska's natural resources and other critical sites.

Strategies to be utilized are to provide for immediate and effective initial attack to suppress all fires in the populated areas of the state and to protect critical sites in areas of the state as specified in the Alaska Interagency Fire Management Plan. Additional strategies are to coordinate emergency response efforts with local government, other state agencies and federal agency cooperators and to employ residents of Alaska in fighting wildland fires. Firefighters and resources available for rapid initial attack in the urban interface can be very effective in keeping new fires small.

URBAN INTERFACE GROWTH 1990 THROUGH 2000



Key Component Issues for FY2002 – 2003

Responding to the rising numbers of urban interface fires as Alaska's population continues to move into the forested areas of the state is one of the key issues facing the Division and its cooperators. In 1999 the Division suppressed six serious urban interface fires that directly threatened inhabited structures. During 2000, Forestry responded to 16 fires that involved structures threatened by wildland fire. In 2001, 230 of the 299 fires in Forestry responsibility areas were urban interface fires. The urban interface fire zone continues to increase as new homes and subdivisions are built.

The increasing wildland fire protection responsibility is also one of the key issues the Division is facing. Fixed costs continue to rise and the state's wildland fire seasons are longer than in past years.

The Division's Wildland Fire Management Program consists of two components. This component funds fire suppression and the Forest Management and Development Component funds preparedness. The annual cost of wildland fire suppression over the past ten years has consistently exceeded budgeted funding. This has been recognized by both the administration and legislature and additional funding has been made available through the use of the emergency declaration process and supplemental appropriations.

Major Component Accomplishments in 2001

- Successfully suppressed 98% of the 218 fires in critical protection at 10 acres or less, exceeding the measure of 90%. This also exceeded performance in the 1999 fire season which successfully suppressed 93% of the 306 fires in critical protection. This measure is highly dependent upon conditions including weather, winds, number of simultaneous fires, etc. This trend supports an outcome of decreased wildland/urban interface fires that reach project fire level, thus saving the state suppression costs and protecting public lives and property.
- Successfully suppressed 97% of 281 fires in critical and full protection at 10 acres or less, meeting the measure of 90%. This also exceeded performance in the 1999 fire season that successfully suppressed 93% of the 303 fires in

critical protection. These urban/ interface fires were suppressed by firefighters in Tok, Fairbanks, Delta, Copper River, McGrath, Palmer/Big Lake, Soldotna and the Haines Area Offices. This trend supports an outcome of decreased wildland/urban interface fires that require extended and more expensive attack.

- Employed 26 EFF village crews in-state and 20 EFF village crews and 4 Type I crews out-of-state, as well as 56 individual EFF for a total of wages paid to Alaskans of \$5.1 million. Hiring EFF crews supports an outcome of increased employment for Alaskans in rural areas that have few sources of income.
- Provided Alaskan aviation vendors with income from 12 90-day aircraft contracts for helicopters, air tankers and fixed wing aircraft used to support wildland and wildland/ urban interface fire suppression. Economic support of Alaskan aviation vendors results in an outcome of a healthier aviation sector and increased employment.
- Managed and responded to a total of 299 fires in both wildland and wildland/urban interface areas on 134 million acres. A diversified outcome effect results in increased employment, increased economic benefit to vendors, protection of life and property.
- Provided fire weather forecasting a minimum of 3 days per week during fire season, providing critical information to managers making decisions to institute fire burn bans, position firefighters and aircraft in certain areas, and call in more resources. The outcome is more efficient fire management which saves the state money.
- Analyze daily lightning occurrence data to determine areas where fires are most likely to occur. Provide aircraft detection to areas of multiple strikes and provide rapid response to fire starts in areas with high value natural resources and human improvements. The outcome is more efficient fire management which saves the state money.
- Generated \$14.5 million into the Alaskan economy through payments to 995 vendors who supplied additional aircraft detection, commodities and supplies during fire suppression activities this season. This major economic influx supports an outcome of increased employment and an increased economic stimulus to the state's economy.
- Purchased smokejumper capabilities from the federal government saving the state duplication of services and funding. This supports an outcome of more efficient government.

Statutory and Regulatory Authority

Alaska Statutes - Title 41

Section 41.15.010 - 41.15.170

Section 41.15.200 - 41.15.240

11 AAC 95

Key Performance Measures for FY2003

Measure:

The target is to reduce the number of wildland fires that are human caused, within the Division's protection areas.

Alaska's Target & Progress:

This target may not accurately reflect the success of fire prevention. A more accurate target may be "The number of fires that result from human actions, whether as a function of population growth or other causes."

Statistical review of data for the past 16 years is provided in the following chart.

STATE PROTECTION AREA	2000	1999	1998	1997	1996	1995	1994	1993
TOTAL FIRES	260	333	338	558	565	327	446	535
HUMAN CAUSED	247	302	322	373	511	298	373	430
% HUMAN CAUSED	95.0%	90.7%	95.3%	66.8%	90.4%	91.1%	83.6%	80.4%
STATE PROTECTION AREA	1992	1991	1990	1989	1988	1987	1986	1985
TOTAL FIRES	332	493	460	429	321	489	507	319
HUMAN CAUSED	321	363	312	410	275	453	383	278
% HUMAN CAUSED	96.7%	73.6%	67.8%	95.6%	85.7%	92.6%	75.5%	87.1%

This data shows that in low fire occurrence years, such as 1999 and 2000, the ratio as a percent between human caused and total fires is not a good indicator of prevention effectiveness. The relationship of high and low fire years is not as important as the role of lightning fires. In high fire years the total number of fires is much higher due to lightning caused fires, so the percentage of human caused fires is less. The actual number of human caused fires may not vary significantly. Thus, using a percentage is more reflective of the high or low lightning fire year (total number of fires) than the effectiveness of prevention in decreasing human caused fires. This target will be evaluated this fiscal year and will be changed as needed to more accurately reflect prevention effectiveness on human caused fires.

Benchmark Comparisons:

There are no comparable situations in other states with which to provide a benchmark.

Background and Strategies:

Wildland and wildland/urban interface fire occurrence and costs can be reduced to the extent that they can be prevented. Since a large percentage of the fires are human caused within Forestry's protection area (FY01 83%), the strategy is to target the urban areas, road system and railbelt with a fire prevention and awareness program.

Fire Suppression

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	9,819.7	3,010.8	3,045.3
72000 Travel	634.4	34.7	34.7
73000 Contractual	11,324.0	4,746.9	4,746.9
74000 Supplies	1,969.2	704.5	704.5
75000 Equipment	602.9	20.0	20.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	24,350.2	8,516.9	8,551.4
Funding Sources:			
1002 Federal Receipts	10,072.1	5,321.0	5,321.8
1004 General Fund Receipts	14,259.6	3,195.9	3,229.6
1007 Inter-Agency Receipts	6.7	0.0	0.0
1053 Investment Loss Trust Fund	7.9	0.0	0.0
1108 Statutory Designated Program Receipts	3.9	0.0	0.0
Funding Totals	24,350.2	8,516.9	8,551.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Federal Receipts	51010	10,072.1	5,321.0	5,697.6	5,321.8	6,811.6
Interagency Receipts	51015	6.7	0.0	0.0	0.0	0.0
Statutory Designated Program Receipts	51063	3.9	0.0	0.0	0.0	0.0
Restricted Total		10,082.7	5,321.0	5,697.6	5,321.8	6,811.6
Total Estimated Revenues		10,082.7	5,321.0	5,697.6	5,321.8	6,811.6

Fire Suppression
Proposed Changes in Levels of Service for FY2003

This budget request assumes funding at current service levels.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	3,195.9	5,321.0	0.0	8,516.9
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	33.7	0.8	0.0	34.5
FY2003 Governor	3,229.6	5,321.8	0.0	8,551.4

Fire Suppression

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	8	8	Annual Salaries	1,011,014
Part-time	33	34	COLA	26,506
Nonpermanent	0	0	Premium Pay	1,741
			Annual Benefits	379,537
			Less 0.00% Vacancy Factor	(0)
			Lump Sum Premium Pay	1,626,502
Totals	41	42	Total Personal Services	3,045,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	0	1	1
Aircraft Maint Inspector	0	0	0	1	1
Aircraft Pilot II	0	0	0	3	3
Aircraft Supervisor	0	0	0	1	1
Food Service Journey	0	0	0	1	1
Food Service Lead	0	0	0	1	1
Food Service Sub Journey	0	0	0	2	2
Forest Tech II	0	1	0	1	2
Forest Tech III	0	0	0	1	1
Forest Tech IV	0	0	0	1	1
Forester I	0	1	0	1	2
Forester II	0	1	0	1	2
Forester III	1	0	0	0	1
Forester V	1	0	0	0	1
Maint Gen Sub - Journey I	0	0	0	4	4
Maint Gen Sub - Journey II	0	0	0	1	1
Personnel Asst II	0	0	1	0	1
Procurement Spec I	0	0	0	1	1
Stock & Parts Svcs Journey I	0	0	0	2	2
Stock & Parts Svcs Journey II	0	1	0	2	3
Stock & Parts Svcs Lead	0	1	0	0	1
Stock & Parts Svcs Sub Journey	0	3	0	6	9
Totals	2	8	1	31	42